

Title:	Audit Committee
Date:	15 December 2009
Time:	4.00pm
Venue	Committee Room 3, Hove Town Hall
Members:	Councillors: Hamilton (Chairman), Watkins (Deputy Chairman), Alford, Fallon-Khan, Kitcat, Oxley, Simpson, Smith, Taylor and G Theobald
Contact:	Jane Clarke Democratic Services Officer 01273 291064 jane.clarke@brighton-hove.gov.uk

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Democratic Services: Meeting Layout Head of Audit Cllr Les Director Lawyer & Business Hamilton Risk Democratic Cllr Trevor Services Alford Officer Cllr Cllr Ayas Christine Fallon-Khan Simpson Cllr Jason Cllr Brian Kitcat Oxley Cllr David Cllr Keith Smith Taylor Cllr Geoffrey Cllr David Theobald Watkins Members in Attendance Officers in Attendance Press **Public Seating**

AGENDA

Part One Page

37. PROCEDURAL BUSINESS

- (a) Declaration of Substitutes Where Councillors are unable to attend a meeting, a substitute Member from the same Political Group may attend, speak and vote in their place for that meeting.
- (b) Declarations of Interest by all Members present of any personal interests in matters on the agenda, the nature of any interest and whether the Members regard the interest as prejudicial under the terms of the Code of Conduct.
- (c) Exclusion of Press and Public To consider whether, in view of the nature of the business to be transacted, or the nature of the proceedings, the press and public should be excluded from the meeting when any of the following items are under consideration.

NOTE: Any item appearing in Part 2 of the Agenda states in its heading the category under which the information disclosed in the report is exempt from disclosure and therefore not available to the public.

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

38. MINUTES OF THE PREVIOUS MEETING

1 - 10

Minutes of the meeting held on 29 September 2009 (copy attached).

39. CHAIRMAN'S COMMUNICATIONS

40. PETITIONS

No petitions received by date of publication.

41. PUBLIC QUESTIONS

(The closing date for receipt of public questions is 12 noon on Tuesday 8 December 2009).

No public questions received by date of publication.

42. DEPUTATIONS

(The closing date for receipt of deputations is 12 noon on Tuesday 8 December 2009).

No deputations received by date of publication.

43. WRITTEN QUESTIONS FROM COUNCILLORS

No written questions have been received.

44. LETTERS FROM COUNCILLORS

No letters have been received.

45. TREASURY MANAGEMENT POLICY STATEMENT 2009/10 (INCLUDING ANNUAL INVESTMENT STRATEGY 2009/10) - MID YEAR REVIEW

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

Contact Officer: Peter Sargent Tel: 29-1241

Ward Affected: All Wards;

46. AUDIT COMMISSION UPDATE AND AUDIT & INSPECTION PLAN

Oral report from the Audit Commission to include an update on the Comprehensive Area Assessment.

47. AUDIT COMMISSION: GOOD GOVERNANCE REPORT

29 - 64

11 - 28

Report of the Director of Strategy and Governance and from the Audit Commission (copy attached).

Contact Officer: Grahame Brown, Tel: 0844 7986107, Tel:

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Ward Affected: All Wards:

48. AUDIT COMMISSION: REVIEW OF INTERNAL AUDIT

65 - 72

Report from the Audit Commission (copy attached).

Contact Officer: Grahame Brown Tel: 0844 7986107

Ward Affected: All Wards:

49. AUDIT COMMISSION: ANNUAL AUDIT LETTER 2008/09

73 - 86

Report from the Audit Commission (copy attached).

Contact Officer: Grahame Brown Tel: 0844 7986107

Ward Affected: All Wards:

50. AUDIT & BUSINESS RISK PROGRESS REPORT

87 - 94

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

Contact Officer: Ian Withers Tel: 29-1323

Ward Affected: All Wards;

51. ANNUAL GOVERNANCE STATEMENT 2008/09 - ACTION PLAN PROGRESS UPDATE

95 - 102

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

Contact Officer: Ian Withers Tel: 29-1323

Ward Affected: All Wards;

52. TARGETED BUDGET MANAGEMENT (TBM) MONTH 6

103 -148

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

Contact Officer: Nigel Manvell Tel: 29-3104

Ward Affected: All Wards;

53. CORPORATE RISK AND OPPORTUNITY REGISTER UPDATE

149 -164

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

Contact Officer: Jackie Algar Tel: 29-1273

Ward Affected: All Wards;

PART TWO

54. NON-PUBLIC MINUTES OF THE PREVIOUS MEETING - EXEMPT CATEGORY 3

165 -166

Minutes of the Non-Public meeting held on 29 September 2009 (copy circulated to Members only).

55. CORPORATE RISK MANAGEMENT ACTION PLAN FOCUS - EXEMPT CATEGORY 3

Oral report from the Risk and Opportunity Manager.

Contact Officer: Jackie Algar Tel: 29-1273

Ward Affected: All Wards:

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

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

For further details and general enquiries about this meeting contact Jane Clarke, (01273 291064, email jane.clarke@brighton-hove.gov.uk) or email democratic.services@brighton-hove.gov.uk

Date of Publication - Monday, 7 December 2009

Agenda Item 38

Brighton & Hove City Council

BRIGHTON & HOVE CITY COUNCIL

AUDIT COMMITTEE

4.00pm 29 SEPTEMBER 2009

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillors Hamilton (Chairman), Watkins (Deputy Chairman), Alford, Fallon-Khan, Kitcat, Simpson, Smith, Taylor and G Theobald

PART ONE

20. PROCEDURAL BUSINESS

20a Declaration of Substitutes

- 20.1 Councillor Fallon-Khan declared that he would be replacing Councillor Lainchbury as a permanent Member of the Committee.
- 20.2 Councillor Taylor declared that he would be replacing Councillor Randall as a permanent Member of the Committee.
- 20b Declarations of Interest
- 20.3 There were none.

20c Exclusion of the Press and Public

- 20.4 In accordance with section 100A of the Local Government Act 1972 ('the Act'), the Audit Committee considered whether the press and public should be excluded from the meeting during an item of business on the grounds that it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press or public were present during that item, there would be disclosure to them of confidential information (as defined in section 100A(3) of the Act) or exempt information (as defined in section 100I of the Act).
- 20.5 **RESOLVED** That the press and public be excluded from the meeting during consideration of item 35, Non-Public Minutes of the Previous Meeting, and item 36, Corporate Risk Management Action Plans Focus as these items were exempt under Paragraph 3 of Schedule 12A of the 1972 Act (information relating to the financial or business affairs of the authority).

21. MINUTES OF THE PREVIOUS MEETING

21.1 **RESOLVED** – That the minutes of the previous meeting held on 30 June 2009 are approved and signed by the Chairman as a correct record.

22. CHAIRMAN'S COMMUNICATIONS

22.1 There were none.

23. PETITIONS

23.1 There were none.

24. PUBLIC QUESTIONS

24.1 There were none.

25. DEPUTATIONS

25.1 There were none.

26. WRITTEN QUESTIONS FROM COUNCILLORS

26.1 There were none.

27. LETTERS FROM COUNCILLORS

27.1 There were none.

28. AUDIT COMMITTEE WORK PROGRAMME

- 28.1 The Committee considered a report from the Director of Finance & Resources regarding the Audit Committee Work Plan (for copy see minute book).
- 28.2 The Head of Audit & Business Risk introduced the draft work plan and stated that it had been developed in consultation with the Chairman and Deputy Chairman of the Audit Committee, and he was seeking approval from the Committee to carry this plan forward.
- 28.3 The Chairman noted that the Comprehensive Area Assessment (CAA) report from the Audit Commission would soon be published and he asked if it would be ready to submit to the 15 December 2009 meeting and include in the Work Plan. Mr G Brown, Audit Manager for the Audit Commission stated that Ms S Prail was the CAA Lead for Sussex, and the report was expected to be ready for December, although he could not confirm this. The Chairman requested that Ms Prail be invited to the meeting where the CAA report was taken.
- 28.4 The Chairman noted that there was not a Targeted Budget Management report listed in the work plan for the December 2009 meeting and asked if this could be included. The

Director of Finance & Resources agreed that the Month 6 Targeted Budget Management report would be added to the Work Plan.

28.5 Councillor Taylor raised concern over the negotiation of PFI contracts, in particular the Education PFI contract. He asked that an audit review of this situation take place and requested a report to come to Committee. The Head of Audit & Business Risk stated that a major review of PFI contracts had taken place last year, and a follow up review would take place around December 2009. He stated that this would not necessarily come to Committee, but if there were concerns it could be added to the Work Plan.

The Chairman stated that this issue was more appropriate for the Overview & Scrutiny Commission to investigate. The Director of Finance & Resources agreed and stated that the remit of the Audit Committee was to ensure they were satisfied with the controls and governance arrangements of the Council. Decisions about how, where and why money was spent were more appropriately scrutiny issues and should be investigated by these Committees.

Councillor Watkins asked if the risk element of the issue should be brought before the Audit Committee and then referred onto a Scrutiny Committee for further investigation. The Risk & Opportunity Manager stated that Building Schools for the Future funding was analysed as a Risk MAP, and aspects of the Education PFI contract were considered as part of the Long Term Future for Education Corporate Risk. The Education PFI contract issues were remote in relation to the entire scope of the Risk MAP submitted to the Audit Committee.

- 28.6 Councillor Taylor expressed further concern that this was a reactive rather than proactive approach and felt the issue should be dealt with before potentially huge increases in costs to the Council arose. The Chairman noted that the issue had not been raised at Cabinet and felt it was premature for the Audit Committee to raise it as a risk. Councillor Kitcat agreed with Councillor Taylor and believed the risk should be analysed as it had been raised as a valid concern by a Member of the Committee. The Director of Finance & Resources stated that she would investigate the matter further and speak separately to Councillor Taylor.
- 28.7 Councillor Theobald referred to a briefing paper that had been received by School Governors concerning PFI contracts in the City and suggested that this may have been the source of the concern raised. He stated that Cabinet Members were unaware of any issues around this matter. The Chairman noted that Cabinet Members were unaware of any risks arising in this matter and felt that it could be reviewed by the Committee at a later date if a risk did become apparent.

28.8 **RESOLVED** – That:

- 1. The draft Work Plan for the Audit Committee is approved, and
- 2. That the Head of Audit & Business Risk is requested to keep the Work Plan updated to reflect new items as they are identified.

29. AUDIT COMMISSION: ANNUAL GOVERNANCE REPORT 2008/09

- 29.1 The Committee considered a report from the Audit Commission regarding the Annual Governance Report (for copy see minute book).
- 29.2 The District Auditor introduced the report and noted that the action plan was now agreed with Officers and would be brought to the next meeting of the Audit Committee in December 2009. She was proposing an unqualified audit opinion on the Council's financial statements for 2008/09. She noted that in common with other authorities, there had been problems around fixed assets relating to the treatment of impairments. She believed that the difficulties experienced in implementing a new fixed assets accounting system, which had recently been purchased by the Council, was a contributory factor. She was satisfied with the progress of internal audits within the Council and reported on her assessment of Use of Resources, which was scored at 3 out of 4 which means the Council exceeds minimum requirements and performs well. The themes of Managing Finance and Managing Resources had been scored as 3 out of 4, whilst the Governing the Business theme was meeting minimum requirements and had been scored as 2 out of 4. However, she recognised that it was particularly difficult to show demonstrable outcomes for this theme. Due to the extra work that had been undertaken by the Audit Commission on the Council's accounts, the recommended fee had been raised by £4,100.
- 29.3 Councillor Kitcat asked why there were so many changes in the accounts for this year compared with last year, especially in regard to the termination of the NCP contract. The Audit Commission considered that a certain amount of errors were to be expected with the introduction of any new system, but noted that the audit process had revealed a misinterpretation of accounting guidance in terms of recording certain impairment transactions on the new system. He added that the errors which had occurred around the termination of the NCP contract had arisen because the Audit Commission had disagreed with the judgement that this had been an impairment event. This erroneous judgement had then precipitated several subsequent errors which needed to be corrected. Therefore, although there appeared to be a series of errors in relation to this transaction, there was in fact only one initial interpretation error which resulted in all related transactions needing amendment.
- 29.4 Councillor Kitcat asked why this error of judgement had been made in the first place and the Assistant Director Financial Services replied that it had occurred because the guidance on the categorisation of impairment events was complex and that many of the changes to the fixed assets were unique and not always clearly covered by available guidance. He added that the number of errors in this years' accounts were small by comparison to the many hundreds of transactions relating to a wide variety of fixed assets including impairments, new capital expenditure, disposals, changes of use, revaluations and so on. He advised that a number of errors had also been identified by Officers of the Council and were reported to the Audit Commission during the course of the audit of the accounts.
- 29.5 Councillor Theobald noted the adjusted misstatements in the accounts listed at appendix 2 and asked if these adjustments resulted in a better financial position for the Council. The Audit Commission replied that the overall deficit had been overstated by

£7.2 million, but the misstatements were not cash items and so did not affect the Council's financial position in real terms. He added that there had been very few amendments in terms of cash on the balance sheets. An overall correction of £11.2 million on fixed assets was reported, however these were of a technical nature and again did not affect the Council's financial position. The Director of Finance & Resources assured the Committee Members that the Council was no better or worse off as a result of these corrections and they made no difference to the Council's financial position. The accounting errors contributed to by the new system had been identified and procedures tightened to deal with this in future years.

- 29.6 Councillor Theobald asked if the Council's assets were valued independently, especially in terms of car parks. The Assistant Director of Financial Services stated that they were and that one fifth of all the Council's assets were valued each year, whilst the entirety of the housing stock was valued yearly.
- 29.7 Councillor Theobald asked if there was a difference in the Council's valuation of the car parks compared with the Audit Commissions valuation. The Audit Commission agreed that there was an adjustment, but this was linked to the errors created when the transaction was input into the new system.
- 29.8 Councillor Fallon-Khan noted the increase in the Audit Commission's fee for 2008/09. He asked if there was comparative data available for the Council to assess if this was a fair increase in line with other Councils in the area. The District Auditor replied that comparative data was submitted to the Committee when the planned fees were recommended and again when the actual fee was agreed by the Committee. She added that the Audit Commission included comparative data for all authorities on its website to ensure they were providing value for money services. Councillor Fallon-Khan thanked the District Auditor for the explanation and commended Council Officers on the complex work they had done in the past year to gain good scores from the Audit Commission, which he appreciated was more difficult under the new Comprehensive Area Assessment framework.
- 29.9 Councillor Simpson asked for clarification on a statement in the report concerning controls within the payroll system. The Audit Manager from the Audit Commission agreed that this issue had been raised previously and work had been undertaken with the Council's Internal Audit Division to resolve it. He added that the current controls present in the payroll system had not led to any material errors but extra safe-guards had been suggested by the Commission to further protect the Council's position.
- 29.10 The Chairman noted that payroll was a high risk element for the Council and the Head of Audit & Business Risk stated that his division was continuing to work with the Payroll Division on implementing actions arising from the internal audit review completed in June 2009.
- 29.11 Councillor Smith asked if any payroll overpayments had been written off as debts owed to the Council and the Assistant Director Financial Services replied that the number of overpayments were small and that the Council rarely wrote off any debts that it was owed. He stated that the normal practice for unpaid debts would be to exhaust the full debt recovery process including legal action.

AUDIT COMMITTEE 29 SEPTEMBER 2009

29.12 Councillor Theobald was concerned about the increase in the Audit Commission's fee and noted that the Council had no option but to use the Audit Commission. He felt this was unfair and related poorly to efficient use of resources. Councillor Theobald asked why the Audit Commission had raised the fee for 2008/09. The District Auditor acknowledged Councillor Theobald's comments but stated that the Audit Commission always planned their work to come in under the fee proposed in normal circumstances. She added that this year had been particularly difficult for fixed assets accounting across the country which had impacted on the work of the Commission. This extra work needed to be reflected in the fee charged and was in fact quite modest when compared with other similar sized Councils for the year 2008/09. The District Auditor added that the Commission had aimed to bring in all work for the Council under the fee proposed in the Supplementary Opinion Plan 2008/09 although this year had been particularly difficult for several reasons. She was confident the errors for this year had been resolved however, and the planned fee for 2009/10 would be on target.

29.13 The Legal Advisor to the Committee pointed out an omission in the draft Letter of Representation. He stated that the beginning of line 2 of the paragraph headed "Uncorrected misstatements" should read "...misstatements listed below are immaterial, either individually or in aggregate."

29.14 **RESOLVED** – That:

- 1. The Director of Finance & Resources, as the Section 151 Officer, is authorised to sign the financial statements on behalf of the Committee.
- 2. The Committee notes the adjustments to the financial statements set out in the report.
- 3. The Committee agrees to set out in the Letter of Representation the reasons for not adjusting the errors in the financial statements.
- 4. The Committee notes the Value for Money conclusion and Use of Resources finding set out in the report.
- 5. The Committee approves the Letter of Representation (as amended in accordance with paragraph 29.13 and resolution 3 above) on behalf of the Council.

29A. STATEMENT OF ACCOUNTS 2008/09 - UPDATE

- 29A.1 The Committee considered a report from the Director of Finance & Resources regarding the Statement of Accounts 2008/09 Update (for copy see minute book).
- 29A.2 The Assistant Director Financial Services presented the report and noted that the Audit Commission had identified two unadjusted misstatements. The first related to adjustments made to comparative (last year's) figures because Officers considered that, although not strictly in keeping with Financial Report Standards, on balance these changes were beneficial in terms of improving the accessibility and readability of the accounts from the public perspective. A second adjustment recommended by the Audit Commission in relation to PFI residual values had been agreed by Officers, but it was considered that as the misstatement was identified very late in the audit of the accounts process and would not affect the audit opinion on this year's accounts, the change would be made in future financial statements.

29A.3 The District Auditor concurred with this opinion and stated that Councils should not normally make prior change adjustments to the accounts unless there would be a substantial effect on the presentation of the accounts. The District Auditor confirmed that the misstatements to be adjusted would not have a material effect on the accounts of Brighton & Hove City Council and therefore would not change her audit opinion if they remained unadjusted.

29A.4 RESOLVED - That the Audit Committee:

- 1. Notes the results of the Public Inspection of the Accounts.
- 2. Notes the amendments to the 2008/09 Statement of Accounts.
- 3. Notes the advice in relation to the Auditor's recommendation on prior period adjustments.
- 4. Notes the position statement regarding the annual report and summary of accounts.

30. AUDIT COMMISSION: HEALTH INEQUALITIES ASSESSMENT REPORT

- 30.1 The Committee considered a report from the Audit Commission regarding the Health Inequalities Assessment Report (for copy see minute book).
- 30.2 The District Auditor began by summarising the report and stating that the Health Inequalities Assessment Report had been included in the 2008/09 audit plan for the Primary Care Trust and Brighton & Hove City Council. The report examined partnership working in Brighton & Hove on health inequalities and acknowledged the work already being done in this area. A focus on housing issues had been chosen and the conclusion had been good, but it was noted that more work needed to be done on sharing priorities and identifying and addressing need.
- 30.3 Councillor Watkins asked why the report had been submitted to the Audit Committee as an item for discussion. The Director of Finance & Resources stated that it was part of the Committee's remit to take this item and the District Auditor added it was for information only but demonstrated part of the work the Commission was doing for the audit fee they charged.
- 30.4 The Chairman asked if this item would be taken forward to the Health Overview & Scrutiny Committee (HOSC) and the District Auditor stated that this would be a matter for Officers to decide.
- 30.5 Councillor Kitcat asked why more joined up working in terms of the Primary Care Trust making representations at Licensing Panels was not considered. The District Auditor stated that only one theme had been chosen for the basis of the report and this related to housing issues. She recognised there was still much progress to be made on further joint working between partners however.
- 30.6 Councillor Watkins was concerned about how the recommendations from the report would be followed up and actions monitored, and the Chairman agreed, asking who would implement the recommendations of the report. The District Auditor stated that the implementation of recommendations would form part of the action plan and it was the responsibility of Officers to monitor this.

30.7 The Chairman proposed that this item be referred to HOSC, and this was seconded by Councillor Watkins.

30.8 **RESOLVED** – That:

- 1. The Health Inequalities Assessment report is noted.
- 2. The Health Inequalities Assessment report is referred to the Health Overview and Scrutiny Committee for noting and monitoring of the recommendations.

31. TARGETED BUDGET MANAGEMENT (TBM) MONTH 4

- 31.1 The Committee considered a report from the Director of Finance & Resources regarding the Targeted Budget Management Month 4 report (for copy see minute book).
- 31.2 The Director of Finance & Resources highlighted that this report was for information only and any issues about overspend on the accounts would be an Overview and Scrutiny or Cabinet issue.
- 31.3 The Chairman noted that further recovery measures would be ongoing and results expected by month 6. The Director of Finance & Resources confirmed this, but felt it was likely that month 6 would not show significant recovery to a breakeven position. She noted there was a significant overspend, but this was not out of line with the position at this point in previous years.
- 31.4 **RESOLVED** That the report is noted.

32. AUDIT & BUSINESS RISK PROGRESS REPORT

- 32.1 The Committee considered a report from the Assistant Director of Finance & Resources regarding the Audit & Business Risk Progress Report (for copy see minute book).
- 32.2 The Head of Audit & Business Risk noted that progress on planned audits was currently low. He felt that staff recruitment problems within the Division had had a significant impact on the plan this year but hoped this would soon be rectified and that the target of 95 percent of the plan would be achieved. He further added that there had been a high level so far this year of unplanned advisory work, in particular Single Status where Internal Audit is playing a critical role to the process. There was currently one audit review where limited assurance had been given with an extraordinary high number of audit recommendations. The Head of Audit & Business Risk would continue working with the service for the implementation of theses and improvement of the service.
- 32.3 The Chairman asked if the vacancies in the Division were due to a freeze on posts and the Head of Audit & Business Risk replied that it was due to several issues including a long term secondment of the Audit Manager that had recently ended with the Officer being appointed to the post with East Sussex County Council. There was no freeze on posts in the Division and he hoped the situation would be resolved soon.

- 32.4 Councillor Fallon-Khan asked if up-skilling of employees already in the organisation had been considered and the Head of Audit & Business Risk agreed that secondments to the department had taken place in the past and would be considered for the future.
- 32.5 The Chairman stated that he would like a report on the implementation of audit recommendations, for any audits where limited or no assurance had been given to come to the Audit Committee and the Head of Audit & Business Risk agreed to this.
- 32.6 Councillor Alford noted the low number of audits that had been completed and the Head of Audit & Business Risk agreed, but stated that this figure would significantly rise through the year as the audits were completed.
- 32.7 Councillor Smith felt that comparative figures from last year's position should be included in the periodic progress reports. The Head of Audit & Business Risk stated this is carried out for the annual report and agreed to include in future periodic progress reports.
- 32.8 **RESOLVED** That the report is noted.

33. RISK & OPPORTUNITY MANAGEMENT UPDATE

- The Committee considered an oral report from the Risk and Opportunity Manager regarding the Risk and Opportunity Management (ROM) Update.
- 33.2 The Risk and Opportunity Manager addressed the Committee and stated that this was the first update since Committee had approved the ROM programme 2009/10 at its meeting on 30 June 2009. She provided an update in respect of the approved programme:
 - ROM training had been offered to all political parties.
 - Officer training courses had been delivered.
 - The Corporate Risk Register is due for refresh in November and refreshed or new Risk MAPs would come to the Audit Committee in December 2009.
 - A CYPT Assurance Group had recently met to look at risk management issues across its partnership work and the Risk and Opportunity Manager felt confident that this was heading in the right direction.
 - A ROM workshop at the Local Strategic Partnership meeting is scheduled for 12 October 2009 to consider risks around the new Sustainability Community Strategy, which will influence the targets of the Local Area Assessment.
 - The new ROM software was currently being configured
 - Project risks were being reviewed.

34. ICT RISKS - BUSINESS CONTINUITY

- 34.1 The Committee considered a report from the Director of Strategy & Governance regarding the proceedings of the Overview & Scrutiny Commission (OSC) relating to ICT Risks Business Continuity (for copy see minute book).
- 34.2 The Head of ICT addressed the Committee and stated that the report that had been submitted to the OSC had been a brief outline of ongoing work to improve business

continuity within ICT services. Significant work had taken place on this issue over the summer period and the Head of ICT was now confident that business continuity plans for ICT were robust and appropriate.

- 34.3 Councillor Watkins noted that a Member Working Group to monitor progress had been suggested at the OSC meeting and asked if this had been taken forward. The Head of ICT stated that the group was currently being set up and Councillor Fallon-Khan, as Cabinet Member for Central Services stated that he was in the process of inviting crossparty members to join the group.
- Councillor Kitcat raised concerns about the proposed use of non-geographic numbering 34.4 and felt that residents may be put off contacting the Council if they felt it was likely there call would be rerouted to a call-centre. Councillor Simpson echoed this and felt the cost implications could also put some residents off. The Head of ICT stated that there was no intention to use a call centre to reroute calls to, and the non-geographic numbers would only be used in emergency situations where local call service providers could not cope with the demand.
- **RESOLVED** That the proceedings of the Overview and Scrutiny Commission on 2 34.5 June 2009 are noted.

NON-PUBLIC MINUTES OF THE PREVIOUS MEETING 35.

35.1 The Chairman was requested to approve and sign the non-public minutes of the meeting held on 30 June 2009.

36. CORPORATE RISK MANAGEMENT ACTION PLAN FOCUS

- 36.1 The Committee considered a report from the Director of Finance & Resources regarding
- 36.2

the Corporate Risk Management Ac	tion Plan Focus.	
RESOLVED – That the report is not	ed.	
The meeting concluded at 6.30pm		
Signed		Chair
Dated this	day of	
Dated this	day of	

Agenda Item 45

Brighton & Hove City Council

Subject: Treasury Management Policy Statement 2009/10

(including Annual Investment Strategy 2009/10) – Mid

Year Review

Date of Meeting: 12 November 2009 – Cabinet

15 December 2009 – Audit Committee for noting

Report of: Director of Finance & Resources

Contact Officer: Name: Peter Sargent Tel: 29-1241

E-mail: peter.sargent@brighton-hove.gov.uk

Key Decision: No **Wards Affected**: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Treasury Management Policy Statement 2009/10 (TMPS) and the Treasury Management Practices (including the schedules) (TMPs) for the year commencing 1 April 2009 were approved by Cabinet on 12 March 2009. Full Council approved the Annual Investment Strategy 2009/10 (AIS), which forms part of the TMPS, on 19 March 2009. The policy statement sets out the key role for treasury management, whilst the practices and schedules set out the annual targets for treasury management and the methods by which these targets shall be met. The AIS sets out the parameters within which investments can be made.
- 1.2 The purpose of this report is to advise of the action taken during the period April to September 2009 to meet the policy statement and practices and the investment strategy.

2. RECOMMENDATIONS:

Recommendations for Cabinet:

- 2.1 That Cabinet endorses the action taken during the half-year to meet the Treasury Management Policy Statement 2009/10 and associated Treasury Management Practices and the Annual Investment Strategy 2009/10.
- 2.2 That Cabinet endorses the proposed change to the benchmarking for investments as set out in paragraph 3.4 and set the maximum indicator for risk at 0.05%.
- 2.3 That Cabinet notes the authorised limit and operational boundary set by the Council have not been exceeded.

Recommendation for Audit Committee

2.4 That the Audit Committee notes the report.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Overview of markets

- 3.1 During the half-year the financial markets entered calmer waters and the worst fears of global depression and bank meltdown subsided. Nevertheless, while economies showed tentative signs of stabilising, a return to a positive growth path was still considered to be a long way off.
- 3.2 The bias of policy decisions by the Bank of England continued towards stimulating the economy by releasing money into the financial markets. Official rates remained at ½% but quantitative easing was increased to £175 billion. Lending between banks has improved but the availability of credit to a wider cross section of the economy remained a problem.
- 3.3 The UK economy continued to post a mixed performance. The low point of the business cycle is believed to have been passed but many analysts remain sceptical about the speed of return to trend growth and the sustainability of any recovery.
- 3.4 A commentary on the markets is set out in Appendix 1 to this report.

Treasury Management Strategy

- 3.5 A summary of the action taken in the six months to September 2009 is provided in Appendix 3 to this report. The main points are:
 - long-term debt portfolio (which has been used to fund the capital investment programme) has reduced from £195.9m to £165.7m. This reflects the decision to continue the programme to reduce the risk on the investment portfolio by repaying debt early;
 - short-term debt has been raised to part fund cash flow shortfalls. The balance outstanding as at 30 September totals £6.1m;
 - the level of investments as at 30 September 2009 totalled £40.6m, a reduction of £15.9m from the beginning of the year (due to the debt repayment programme);
 - the return on investments by the in-house treasury team and cash manager has significantly exceeded the target rate;
 - the two borrowing limits approved by Budget Council in February 2009 the 'authorised limit' and 'operational boundary' – have not been exceeded in the first half of the year.

3.6 The decision to reduce capital risk on the investment portfolio by repaying debt has had a significant impact on treasury management activity. This impact is demonstrated in the table below which compares treasury activity in the half-year to September 2009 with the corresponding period in the previous two years. Short-term borrowing is now used to meet day-to-day cash flow shortages, whereas in the previous two years investments were used.

	April / Sept 2007	April / Sept 2008	April / Sept 2009
Short-term borrowing raised	£2.5m	£0.0m	£42.5m
Short-term borrowing repaid	£2.5m	£0.0m	£36.4m
Investments made	£351.9m	£343.7m	£233.5m
Investments maturing	£270.6m	£248.9m	£249.5m

3.7 Application of the cash flow surplus has also changed. In the first six months in 2007 and 2008 the surplus was primarily invested, whereas in the current year the surplus has been used to repay long-term debt.

	April / Sept 2007	April / Sept 2008	April / Sept 2009
Cash flow surplus	£31.9m	£28.6m	£7.6m
Increase / (decrease) in long-term borrowing	(£2.0m)	£0.0m	(£30.2m)
Increase / (decrease) in short-term borrowing	£0.0m	£0.0m	£6.1m
Decrease / (increase) in investments	(£29.9m)	(£28.6m)	£16.5m

3.8 Capital risk on the investment portfolio has always been the primary objective for the council's investment strategy. The decision to repay borrowing by reducing investments was a consequence of downward revisions to the credit ratings of the majority of institutions within which the council invested. At the meeting in November 2008 Cabinet was informed that the investment period for all new investments has been reduced to a maximum of one month and that selection of investment counterparty would be more intensive. A number of institutions remain suspended from the council's counterparty list due to downgrades in their rating. The financial implications of this strategy are set out in section 5.

Capital risk v Interest rate risk

- 3.9 The reduction in investments has maintained the council's strategy on capital risk. This strategy will continue until such time as the markets recover sufficiently for the rating agencies to assign approved ratings.
- 3.10 The projected borrowing level for the council is estimated at around £260m, whereas actual long-term borrowing outstanding is £166m. This means that the council is temporarily using internal reserves to fund capital investment and this can not continue indefinitely as over time the reserves are planned to be spent.

- 3.11 The next major decision is therefore when to undertake new long term borrowing. If this decision is undertaken too early the difference between the borrowing rate (4% plus) and the investment rate (currently up to 1%) will place severe pressures on the revenue budget in the short-term. If this is done too late when long-term borrowing rates have risen as anticipated then the cost of borrowing will rise placing pressures on the revenue budget over the long-term. The average cost of borrowing repaid under the current strategy is between 4½% and 4½% and this therefore represents the target rate for new borrowing in the future.
- 3.12 The timing of the decision is therefore critical and officers will therefore keep the position under constant review to ensure that interest rate risk is minimised whilst at the same time ensuring the strategy on capital risk is not jeopardised. One of the options being investigated is to enter into borrowing deals that fix the rate of future borrowing up to 18 months in advance of the actual borrowing.

Performance measures

- 3.13 In response to the recent inquiries into local authority investments (following the collapse of Icelandic banks) the Chartered Institute of Public Finance & Accountancy is reviewing the code of practice on treasury management. Details of the changes will be reported to Cabinet as part of the 2010/11 treasury management and investment strategies. The council has already responded to one of the changes by arranging a training session for all Members involved in treasury management decision making on 19 January 2010.
- 3.14 Another of the changes proposed is greater Member involvement in the consideration and benchmarking of the investment portfolio. The council's treasury advisors have developed a matrix that measures investment risk in terms of both security and liquidity. Appendix 2 sets out the basis of this matrix.
- 3.15 The recommendation in this report is to apply a risk indicator from November 2009 and to set a maximum limit on risk of 0.05%.

4. CONSULTATION

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

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The financial implications arising from the action taken under the TMPS are included in Financing Costs. The month 6 forecast for financing costs shows that £400,000 less of the reserve set up to offset the projected short-term reductions in investment income will be needed during 2009/10. The reserve is projected to stand at £2.481m at the end of 2009/10.
- 5.2 The repayment of debt has resulted in a net saving to the council of around £1.2m after taking account of the loss of investment income. The HRA proportion of this saving is £625k. However due to the perverse nature of the calculations within the HRA subsidy system, together with the sharp fall in official short-term

interest rates, the HRA will lose subsidy of approx £920k, a net reduction in HRA resources of £295k in 2009/10.

5.3 The net reduction in HRA resources is likely to be short-term but the implications on the HRA in future years will depend upon 3 key factors – the speed of recovery in the UK financial markets, the timing and level of new borrowing and the timing and impact of the proposed changes to the housing finance system. As new borrowing is made and short-term interest rates increase the net reduction in HRA resources will reverse.

Finance Officer Consulted: Peter Sargent Date: 19/10/09

<u>Legal Implications:</u>

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

Lawyer Consulted: Abraham Ghebre-Ghiorghis Date: 27/10/09

Equalities Implications:

5.6 There are no direct implications arising from this report.

Sustainability Implications:

5.7 There are no direct implications arising from this report.

Crime & Disorder Implications:

5.8 There are no direct implications arising from this report.

Risk & Opportunity Management Implications:

- 5.9 The continuing uncertainty in the financial markets means the increased risk in lending has not abated. The action taken in the first six months of 2009/10 has resulted in the council reducing capital risk on its investment portfolio but has, in effect, replaced this with interest rate risk.
- 5.10 The position will be regularly monitored and, when confidence returns to the financial markets, opportunities to raise new borrowing and rebuild the investment portfolio will be considered.

Corporate / Citywide Implications:

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

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

6.1 This report sets out action taken in the six months to September 2009. No alternative options are therefore considered necessary.

7. REASONS FOR REPORT RECOMMENDATIONS

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

SUPPORTING DOCUMENTATION

Appendices:

- 1. Market Overview April to September 2009
- 2. Security, Liquidity and Yield Benchmarking (Benchmarking and monitoring security, liquidity and yield in the investment portfolio)
- 3. A summary of the action taken in the period April to September 2009
- 4. Performance and balances

Documents in Members' Rooms

None

Background Documents

- 1. Part I of the Local Government Act 2003 and associated regulations
- 2. The Treasury Management Policy Statement and associated schedules 2009/10 approved by Cabinet on 12 March 2009
- 3. The Annual Investment Strategy 2009/10 approved by full Council on 19 March 2009
- 4. Papers held within Strategic Finance, Finance & Resources
- 5. The Prudential Code for Capital Finance in Local Authorities published by CIPFA 2003

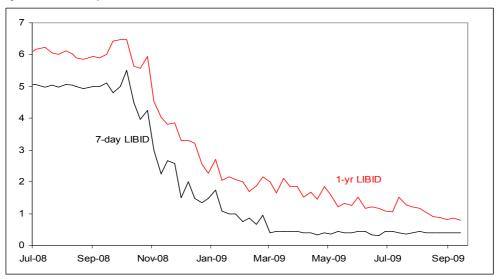
<u>Market Overview – April to September 2009</u> (courtesy of Butlers)

Financial markets entered calmer waters at the outset of the 2009/10 financial year as the worst fears of global depression and bank meltdown subsided. Nevertheless, while economies showed tentative signs of stabilising, a return to a positive growth path was still considered to be a long way off. Indeed, the Gross Domestic Product data for the first half of 2009 registered their sharpest falls for over 20 years (minus 5.5% year-on-year at the low point).

It was not until the summer months that economic performances began to stage a welcome improvement. Fear of a collapse of another leading financial institution lessened markedly and this was reflected in the more 'normal' behaviour of money market rates. That said banking sectors in most countries were far from trouble free; asset write downs continued, minor US banks continued to fail and the troubles of a number of building societies made the headlines from time-to-time.

The UK economy continued to post a mixed performance and it was far from clear how far down the road to recovery it had travelled. The low point of the business cycle is believed to have been passed during the third quarter of the year but analysts and officials remained sceptical, first, about the speed of return to trend growth (considered to be around 2.5% pa) and, second, about the sustainability of any recovery.

Money Market Deposit Rates



Industrial production was one of the buoyant areas of the economy, although this had run out of steam by the autumn. Consumer spending, by contrast, remained mixed as attempts by the household sector to reduce its heavily indebted position deterred credit-fuelled spending. In addition, the continued deterioration in the employment situation and the weakness of earnings growth served as further deterrents to spending.

In aggregate, this provided an uncertain backdrop for policy makers. It was clear from the outcome of the meetings of the Monetary Policy Committee (MPC) during the period that policy makers remained concerned about the underlying health of the UK economy. The bias of MPC decisions remained directed towards further policy ease. Clearly this could not take the form of interest rate cuts – bank rate at 0.5% is considered to be as close to zero as makes no odds. Consequently, relaxation took the form of an extension of the Quantitative Easing (QE) programme, the first tranche of £125bn sanctioned in March was followed by an additional £50bn boost in August.

The accommodative policy approach, coupled with dwindling fears of financial collapse, created an environment in which money market rates eased to yet lower levels. In addition to this the margin between London Interbank Offer Rate and London Interbank Bid Rate returned to a more normal position. This was a sign that banks were more comfortable about transacting business between each other but the availability of credit to a wider cross-section of the economy remained problematic.

Long-term interest rates returned to a declining trend at the outset of the financial year. The MPC's decision to embark upon a policy of QE of money supply, via the purchase of fixed rate securities (principally gilts) injected new life to the market. For, it countered the very negative concerns about the massive supply of bonds that would be necessary to finance the Government's rapidly deteriorating finances.

Via the QE 'mechanism' the Bank of England would become the largest buyer of gilts and reduce the net supply of stock to the market to a mere trickle. This, together with some further investor demand for safe-haven securities drove yields back towards the low points seen in the closing stages of 2008/09. Nevertheless, the easier trend drew to a close by the autumn as the positive influence of QE was eclipsed by uninspiring performances in major international bond markets, unattractive yields and the realisation that with economic recovery, the prop from QE would be withdrawn.

Security, Liquidity and Yield Benchmarking

Benchmarking and monitoring security, liquidity and yield in the investment portfolio

A proposed development for Member reporting is the consideration and approval of security and liquidity benchmarks. These benchmarks are targets and so may be breached from time to time. Any breach will be reported to Cabinet in either the mid year review of end of year review depending upon when the breach occurred.

Yield

These benchmarks are currently widely used to assess investment performance. Local measures of yield benchmarks are:

- Investments Internal returns above the 7 day LIBID rate
- Investments External fund managers returns 115% above 7 day compounded LIBID.

Security & liquidity

Security and liquidity benchmarks are already intrinsic to the approved annual investment strategy through the counterparty selection criteria and a number of the prudential indicators approved as part of the Budget Strategy. However they have not previously been separately and explicitly set out for Member consideration.

Proposed benchmarks for the cash type investments are below and these will form the basis of future reporting in this area. In the other investment categories appropriate benchmarks will be used where available.

- Liquidity This is defined as "having adequate, though not excessive cash
 resources, borrowing arrangements, overdrafts or standby facilities to enable it at all
 times to have the level of funds available to it which are necessary for the
 achievement of its business/service objectives" (CIPFA Treasury Management Code
 of Practice). In respect of this area the Council seeks to maintain:
 - Bank overdraft £1m
 - Liquid short term deposits and/ or short-term borrowing to fund the cash requirement on a weekly basis.

The availability of liquidity and the term risk in the portfolio can be benchmarked by the monitoring of the Weighted Average Life (WAL) of the portfolio – shorter portfolios would generally embody less risk. In this respect the proposed benchmark is to be used:

- WAL benchmark is expected to be no greater than 12 months.
- Security In context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poors).

Whilst this approach embodies security considerations, benchmarking levels of risk is more difficult to determine. One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the council's investment strategy. The following table shows average defaults for

differing periods of investment grade products for each Fitch long term rating category over the period 1990 to 2007.

Long term rating	1 year	2 years	3 years	4 years	5 years
AAA	0.00%	0.00%	0.00%	0.00%	0.00%
AA	0.00%	0.00%	0.00%	0.03%	0.06%
Α	0.03%	0.15%	0.30%	0.44%	0.65%
BBB	0.24%	0.78%	1.48%	2.24%	3.11%

In other words no AAA rated institution defaulted on its loan obligations in the period covered by the table.

The Council's minimum long term rating criteria is currently "AA". In addition the annual investment strategy provides for investment in unrated building societies with an asset base in excess of £2bn, although only for a maximum of 6 months. The combined effect of the investment criteria in terms of default can therefore be considered at or around the 'A' rated long-term rating for 1 year - i.e. 0.03%. The average default factor for the portfolio during the half-year varied in the range 0.02% to 0.05%. The factor as at 30 September 2009 is 0.3%.

Based on the current criteria it is recommended that the default indicator is set at 0.05%.

Summary of action taken in the period April to September 2009

Treasury Management Strategy

New long term borrowing

No new long-term borrowing raised in the first 6 months.

Debt maturity

Debt totalling £30.150 million was repaid early at a net premium of £381k (Table 1). The average rate of debt repaid was 4.5%

Table 1 – Debt repaid prematurely April to September 2009

Date repaid	Amount	Premium / (discount)
15 April 2009 – 2 PWLB loans	£13.150m	£0.005m
15 June 2009 – 2 PWLB loans	£16.000m	£0.000m
14 August 2009 – 1 market loan	£1.000m	£0.376m
	£30.150m	£0.381m

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

Debt restructuring

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

Weighted average maturity profile

The maturity period of debt repaid in the first six months averaged circa 43.2 years. This has had the effect of reducing the weighted average maturity period of the debt portfolio from 36.3 years to 34.5 years.

Capital financing requirement

The prudential code introduces a number of indicators that compare 'net' borrowing (i.e. after deducting investments) with the capital financing requirement (CFR) – the CFR being amount of capital investment met from borrowing that is outstanding. Table 2 compares the CFR with net borrowing and actual borrowing.

Table 2 – Capital financing requirement compared to debt outstanding

	1 April 2009	30 Sept 2009	Movement in period
Capital financing requirement (CFR)	£255.9m	£258.4m ^(*)	+£2.5m
Long-term debt	£195.9m	£165.7m	-£30.2m
Short-term debt	£0.0m	£6.1m	+£6.1m
Investments	£56.5m	£40.6m	+£15.9m
Net debt	£139.4m	£131.2m	-£8.2m
O/s debt to CFR (%)	76.6%	66.5%	-10.1%
Net debt to CFR (%)	54.5%	50.8%	-3.7%

^(*) projected 31 March 2010

Advice received from the council's external advisors suggests that borrowing should be at or near the maximum permitted in order to reduce the risk that demand for capital investment (and hence resources) falls in years when long-term interest rates are high (i.e. interest rate risk). This strategy has been changed in light of the continuing problems within the financial markets. Currently outstanding debt represents 67% of the capital financing requirement.

Cash flow debt / investments

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

An analysis of the cash flows reveals a net surplus for the first six-months of £7.5m (Table 3). A surplus in the first six months is not unusual as the profile of receipts against payments is heavily weighted towards this period. The surplus is used to meet cash shortfalls in the second half year as receipts fall away and payments accelerate.

Table 3 – Cash flow April to September 2009

	Payments	Receipts	Net cash
Total for period	£436.3m	£443.8m	+£7.5m

After adjusting for the increase in the value of the funds invested by the cash manager (+£0.5m) the net movement is increased to £8.0m. This surplus has been used to part repay long-term borrowing.

Short-term borrowing during the half-year totalled £42.5m, of which £6.1m remained outstanding as at 30 September 2009.

Prudential indicators

Budget Council approved a series of prudential indicators for 2009/10 at its meeting in February 2009. Taken together the indicators demonstrate that the council's capital investment plans are affordable, prudent and sustainable.

In terms of treasury management the main indicators are the 'authorised limit' and

'operational boundary'. The authorised limit is the maximum level of borrowing that can be outstanding at any one time. The limit is a statutory requirement as set out in the Local Government Act 2003. The limit includes 'headroom' for unexpected borrowing resulting from adverse cash flow.

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

Table 4 compares both indicators with the maximum debt outstanding in the first half year.

<u>Table 4 – Comparison of outstanding debt with Authorised Limit and</u>
Operational Boundary 2009/10

	Authorised limit	Operational boundary
Indicator set	£317.0m	£294.0m
Maximum amount o/s in first half of year	£195.9m	£195.9m
Variance	£121.1m ^(*)	£98.1m

^(*) can not be less than zero

Performance

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

In summary the key performance is as follows:

- Chart 1 shows the average cost of the long-term debt portfolio has increased to 4.9%, a direct result of repaying debt with an average rate of 4.5%;
- Chart 2 shows that the level of investment managed by the cash managers and
 the in-house treasury team. The sum invested via the cash manager increases
 as investment income is reinvested, whereas investment by the in-house team
 includes cash flow investments and therefore fluctuates throughout each month.
 The chart reflects the substantial decrease in investments as debt was repaid.
- Chart 3 compares the returns achieved on external investments with the benchmark rate of 7-day LIBID (London Inter-bank Bid Rate) rate for the inhouse treasury team and 7-day LIBID rate (compounded) for the cash manager. The chart confirms that during the six months to September 2009:
 - the investment performance of the in-house treasury team has exceeded the target rate (which is 105% of the benchmark rate), and
 - the investment performance of the cash manager has exceeded the target rate (which is 115% of the benchmark rate).

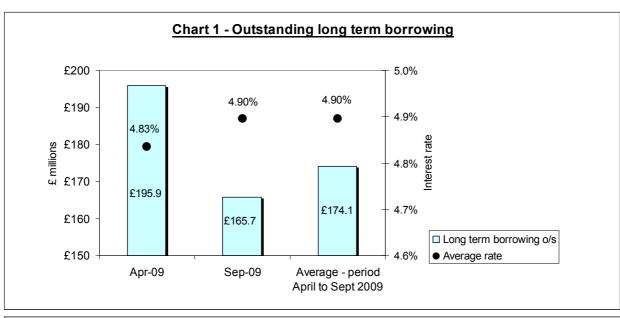
<u>Approved organisations – investments</u>

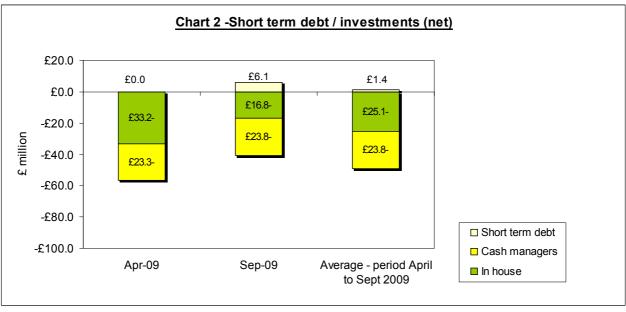
No new organisations have been added to the list approved in the AIS 2009/10.

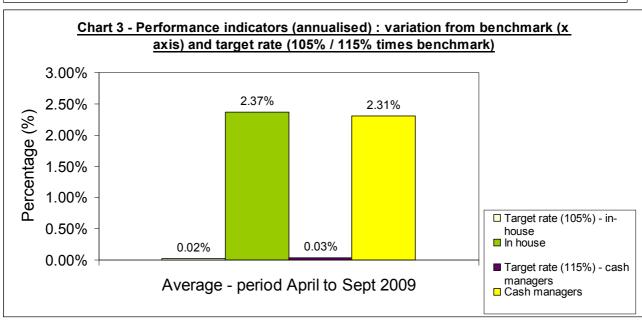
No changes were made to the investment parameters set out in the AIS 2009/10. However a number of institutions continue to be 'suspended' following concerns about future performance or proposed mergers with other institutions.

The decision taken in the second half of 2008/09 to limit new lending and maturing investments to a maximum investment period of one month has continued throughout the first half of 2009/10.

Performance and balances







EXTRACT FROM THE MEETING OF THE CABINET ON 12 NOVEMBER 2009 BRIGHTON & HOVE CITY COUNCIL

CABINET

4.00PM 12 NOVEMBER 2009

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillors Mears (Chairman), Brown, Caulfield, Fallon-Khan, Kemble, K Norman, Simson, Smith, G Theobald and Young

Also in attendance: Councillors Mitchell (Leader, Labour Group), Randall (Convenor, Green Group) and Watkins (Opposition Spokesperson, Liberal Democrat Group)

Other Members present: Councillors Allen, Bennett, Cobb, Fryer, Harmer-Strange, McCaffery, Meadows, Morgan, Oxley and Taylor

PART ONE

117. TREASURY MANAGEMENT POLICY STATEMENT 2009/10 (INCLUDING ANNUAL INVESTMENT STRATEGY 2009/10) MID YEAR REVIEW

- The Cabinet considered a report of the Director of Finance & Resources advising of the action taken during the period April to September 2009 to meet the Treasury Management Policy Statement 2009/10 (TMPS) and the Treasury Management Practices and the Annual Investment Strategy 2009/10 (for copy see minute book).
- 117.2 In response to a query from Councillor Randall, the Head of Strategic Finance and Procurement explained that the cash flow shortfalls referred to in the report came about as a result of monthly cash flow variance.
- 117.3 **RESOLVED** That, having considered the information and the reasons set out in the report, the Cabinet accepted the following recommendations:
 - (1) That the action taken during the half-year to meet the Treasury Management Policy Statement 2009/10 and associated Treasury Management Practices and the Annual Investment Strategy 2009/10 be endorsed.
 - (2) That the proposed change to the benchmarking for investments be endorsed and the maximum indicator for risk be set at 0.05%.
 - (3) That it be noted that the authorised limit and operational boundary set by the Council have not been exceeded.

Agenda Item 47

Brighton & Hove City Council

Subject: Good Governance Review – Report of the Audit

Commission

Date of Meeting: Audit Committee 15 Dec 2009

Governance Committee 12 Jan 2010

Report of: Director of Strategy & Governance

Contact Officer: Name: Abraham Ghebre-Ghiorghis Tel: 29-1500

E-mail: abraham.ghebre-ghiorghis@brighton-hove.gov.uk

Wards Affected: All

FOR GENERAL RELEASE

1. PURPOSE AND POLICY CONTEXT:

1.1 The purpose of this report is to present the findings of the Audit Commission's review of Good Governance in Brighton & Hove and proposed actions in response to the recommendations.

2. RECOMMENDATIONS:

- 2.1 That Members note the report of the Audit Commission (Appendix 1 to this report).
- 2.2 That the proposed action in response to the recommendations of the Commission as set out in the action plan listed as Appendix 1 to the Commission's report be noted.

3. BACKGROUND INFORMATION:

- 3.1 The Audit Commission undertook a review of governance in Brighton & Hove in between October 2008 and March 2009. The review was based on the Good Governance Standards for Public Services developed by the Independent Commission on Good Governance in Public Service. The findings of the review together with the action points are attached in appendices 1 and 2 respectively.
- 3.2 The overall conclusion of the report is positive. In particular, it states that:
 - Governance arrangements in Brighton & Hove are generally sound and there is good formal governance arrangement in place. The constitutional arrangements adopted by the Council are sound.
 - Community leadership and focus is strong. Partnership working is strong and the Council is effective at engaging its stakeholders.

- The Council contributes to the improvement of its area and quality of life for residents and visitors as a result of the effectiveness of its service and strategic arrangements in meeting clearly defined priorities.
- Partnership working is strong and the Council is effective at consulting and engaging with its stakeholders. The council has strong and effective relationships with partners.
- The approach to Member Development is effective and the conduct of elected councillors is good. There is a good training programme for Councillors and an excellent induction programme for new Councillors is in place.
- There is clear expectation among Councillors of all parties that they conduct themselves in an appropriate manner.
- The role of Executive Councillors are becoming clear and more confident about their new roles.
- The Council has a clear focus on meeting the needs and improving services for its diverse communities.
- The Council's approach to community consultation is good, with the Council having a good track record of involving the community in local policy formulation and programming and has developed effective networking to consult and involve the people they serve.
- 3.3 The findings of the report confirm that, judged against the criteria in the Good Governance Standards for Public Services, the Council is, overall, performing well. However, the report also identifies areas for improvement and, as part of this, makes references to some "perceptions" about the Member-Officer working relations and the respective roles and responsibilities of Members and Officers. It is important to see these apparent perceptions in their proper context.
- 3.4 The survey and much of the evidence was gathered within 5 months of the new constitution coming into being. In practice, due to the summer recess, by the time the review was conducted, we would only have had at most 3-4 months experience of the new constitution. It was therefore not surprising that there was a degree of unfamiliarity with how the different decision-making structures operate in practice. Cabinet Members are expected to operate differently from the Chairs of Committees whose main statutory role was to settle the agenda and Chair the Committee meeting with no decision-making powers. Some of the Cabinet Members were also new to local government, let alone executive roles. The combination of these factors, including the fact that the administration was still relatively new, meant that both Members and Officers had to go through an adjustment phase before they settle on ways of working they feel comfortable with. Not surprisingly, as has happened with all Local Authorities that moved to an executive system, there were bound to be uncertainties on how the respective roles and responsibilities of Members and Officers should be exercised during the early stages of implementing the new system. With the passage of time

Cabinet Members have become clearer and more confident about their roles and both Members and Officers have, by now, adjusted and realigned their respective roles and ways of working to reflect the new arrangements. Much of the picture presented in the report is therefore more representative of the historical position than the current state of affairs.

- 3.5 The review looked at governance under 6 headings:
 - Community Focus
 - Operating effectively in a clearly defined role
 - Promoting and demonstrating values of good governance through behaviour.
 - Taking proper decisions and managing risks
 - Developing capacity and capability of Councillors
 - Partnership working and engagement with stakeholders

3.6 **Community Focus**

- 3.6.1 The report is complimentary about the Council's city-leadership role, the work with partners, improving the quality of life of residents and services for diverse communities. It however identifies the need for better communication of the Council's long term vision and strategic direction to our partners.
- 3.6.2 As the report points out in paragraph 49, partnership working is strong and the Council is effective in engaging its stakeholders (which includes partners). The report also states: "there is wide representation from partner organisations [in the LSP]... and a strong collective ownership of the vision and priorities for the City, which are clearly reflected in the targets set out in the new LAA." It is therefore not clear to what extent the lack of understanding of the Council's long term vision is shared by its partners.
- 3.6.3 Since the review took place, the Council has worked closely with its partners in the city and they jointly developed the Sustainable Community Strategy, through the Local Strategic Partnership. The Sustainable Community Strategy sets out the vision for the City as well as the priorities for years to come. The partners have agreed a priority to make the City 'a place where communities are strong, inclusive and have opportunities to influence decision making. A place where individuals are able to take advantage of opportunities to improve their quality of life.' The area assessment being undertaken is expected to confirm that there is a shared vision and strong working relationships with our partners. The Council will continue to work closely with its partners and ensure that its vision and long term direction continues to be communicated effectively.
- 3.6.4 Rather than limiting the communication of the Council's vision and priorities to its "partners" the Council is aiming to go beyond that and is working on developing a new communication strategy so that the whole community is clear about the Council's strategy as well as the services it provides.

3.7 Operating effectively in a clearly defined role

- 3.7.1 The report acknowledges that the constitutional arrangements, formal processes and delegation schemes are all sound. It however suggests that there is room for improving the understanding of Members and Officers about their respective roles.
- 3.7.2 The scheme of delegations to Cabinet Members and Officers is not designed to be mutually exclusive. As with all properly drafted schemes of delegation, there is a degree of overlap. This gives Members and Officers flexibility and allows certain issues to be dealt with by either depending on the context and the public interest in the issue. In any event, the Local Government Act 2000 provides that the body that granted the delegated power to Officers (i.e. Cabinet or Cabinet Member) can exercise the delegated power at any time notwithstanding delegations and irrespective of what the Constitution says. There is therefore no need to change the scheme of delegation itself.
- 3.7.3 Since the fieldwork that resulted in the report was done, there is greater understanding of the different roles and Cabinet Members have regular meetings with relevant Directors to plan business and agree responses to issues arising. It is therefore unclear to what extent, if any, this is still an issue. However, the new Chief Executive, as part of his leadership role, will keep the working arrangements under review and take appropriate steps.
- 3.7.3.a The Code of Conduct for Member/Officer Relations is based on a standard format used by most local authorities and was customised to take account of local circumstances. Although it is not thought (including by the Audit Commission) that there is any problem with the Code itself, the Standards Committee will review the Code and how it works in practice as part of its normal business.

3.8 Promoting and demonstrating values of good governance through behaviour

- 3.8.1 The report finds that Councillors generally adhere to the Council's Code of Conduct and the majority of Members and Officers felt that the values the Council expects them to follow are clearly set out. It however points out that relationships between political groups are limited and that there is room for improvement in respecting professional judgement and roles and responsibilities of Councillors and Officers. The report recommends strengthening and raising the profile of the Standards Committee.
- 3.8.2 Since the field work was done, the Standards Committee has dealt with a number of complaints against Members and, as part of their role, Standards Panels have made suggestions for improvement which were communicated to relevant individuals. The Chairman of the Standards Committee and the two other Independent Members of the Committee have also had meetings with each of the Group Leaders as well as each political group in the Council to discuss issues of common concern. The Chairman of Standards Committee also presents standards reports at full Council. The profile of the Committee is therefore improving, but efforts will be made to continue to raise the profile of the Committee and ethical standards generally through a mixture of training,

attendance at meetings, reviewing guidance and dealing with complaints as they arise.

3.9 Taking proper decisions and managing risks

- 3.9.1 The report finds that the Council's decision-making powers are properly constituted and backed by clear protocols. It however recommends improvements in the scrutiny arrangements and suggests that we look at authorities recognised as models of best practice.
- 3.9.2 The scrutiny function is still developing but a number of significant improvements have been made during 2009 mostly after the review was undertaken. A scrutiny good practice comparison has been completed following concerns raised as part of the six month review of the constitution; this has highlighted some additional areas for improvement that can build upon work already undertaken. A team of 6 FTE staff provide support to all scrutiny committees and panels, additionally each directorate has appointed a link officer to provide liaison with the scrutiny team.
- 3.9.3 Quarterly 'tripartite' meetings have been established between scrutiny chairs, cabinet members, Directors and the Head of Scrutiny to help ensure scrutiny is undertaking an appropriate mix of policy development, holding the executive to account and pre-decision scrutiny. All Chairs pre-meetings have become crossparty, allowing for additional refinement of work-plans to be undertaken during these discussions. This has also helped scrutiny depoliticise with no 'closed doors'.
- 3.9.4 Member training has progressed with support from the Centre for Public Scrutiny. The CfPS has run a bespoke session within the Council for scrutiny chairs and a number of members have benefited from courses highlighting good scrutiny practice nationally and within parliament. Individual support is offered to members as and when it is needed. Understanding of the role of scrutiny has improved amongst council officers as training has been provided through DMTs, especially on supporting scrutiny's policy development role.
- 3.9.5 The Overview and Scrutiny Commission is undertaking more of a coordinating role in prioritising the work of scrutiny review panels and associated resources. Updates at OSC from the Chairs of all scrutiny committees and reporting of their work-plans is also ensuring a more consistent approach across all Committees. A number of refinements to the ways of working across scrutiny have been developed to improve performance:
 - A protocol has been agreed with the LSP setting out what is expected following the LGPIHA 2007, relationships are being developed with all themed partnerships within the LSP
 - Performance monitoring is undertaken by all committees based on LAA and other performance regimes. There is evidence of committees using this data to direct work programmes and targeting in-depth reviews e.g. Alcohol related hospital admissions

- Increased coordination of in-depth scrutiny reviews through an annual workplan, rather than each committee establishing reviews independently
- 3.9.6 The number of agenda items per committee meeting has been identified as an issue and members have agreed to more focused agendas, with an acceptance that agendas of around 3 items allow for greater discussion of issues. The number of reports to note has been reduced with an acceptance from Members that there needs to be a rationale for adding a topic to the agenda. Workplan monitoring includes what action has occurred as a result of the report. Committee work programmes are owned by the committee as a whole and developed through discussion at meetings, at chairs pre-meets in discussion with senior officers from directorates and are also thoroughly discussed at tripartite meetings.
- 3.9.7 Committees are undertaking more policy development work. Scrutiny policy development workshops have been run on the London Road Supplementary Planning Document, Cultural Strategy and Sustainable Communities Strategy amongst others. There is considerable evidence that scrutiny is influencing policy development across the city through its in depth reviews, those completed to date include:
 - Dual Diagnosis of mental health and substance misuse
 - Students in the Community
 - o Environmental Technologies
 - o GP-led health centre
 - o Children and alcohol related harm
 - Older People and Community Safety

Reviews currently being undertaken:

- School Exclusions
- Climate Change Adaptation
- Dementia Strategy for the City
- Speed Limits
- Support services for rape victims
- Disability issues raised during peer review
- Street Access Issues
- Dignity at Work
- 3.9.8 Most of the proposals in the report have therefore either been implemented or are included in the plans for scrutiny.
- 3.10 Developing the capacity and capability of Councillors
- 3.10.1 The report is complimentary of the Member Development framework in the Council. It recognises that there is a good training programme overseen by the Member Development Working-Group. The programme and processes are based on a well established national development framework. The report comments on the absence of job descriptions or performance management

- framework for members, including portfolio holders and the non-attendance by some Members of some core training events.
- 3.10.2 The cross-party Member Development Working-Group has, over the years, touched on some of the issues raised in the report. It however has always preferred to adopt a consensual approach that relies on Members' willing cooperation and participation rather than anything that may be perceived as an imposition. The question of performance management was discussed with Members and Group Leaders. In general, there were reservations about the introduction of job descriptions and performance management. However, the group is proposing to work towards the Member Development Charter Plus (the next stage after the Member Development Charter) which incorporates performance management for Councillors and consideration of Councillors development needs beyond their roles as Councillors. As part of this, the Working Group will be asked to consider the development and use of person specification for councillors and for specific roles held by Members such as Cabinet Members, Chairmen of Committees etc and in seeking to prepare for the Member Charter Plus award, consideration will be given to establishing a performance management framework that will focus on enabling councillors to improve, prepare for succession either in terms of roles as councillors or outside of the council and to have a more effective impact for the benefit of the people of Brighton and Hove.
- 3.10.3 The Working Group has recognised the need for certain 'core' elements of training to be offered to all Members and for them to be encouraged to attend these events. The timing of the events has been set to offer maximum take-up and alternative sessions at different times are either offered or arranged on request or on-line learning is made available. However, unless these elements are made compulsory (which is not the preference of the Member Development Group or Members generally) it is not possible to ensure <u>all</u> Members attend the core elements of the training package.

3.11 Partnership working and engaging with stakeholders

- 3.11.1The report states that partnership working is strong and the overall approach to community consultation is good. It however recommends that the Council ensures that the community is better informed about the Council's priorities and performance.
- 3.11.2 As discussed under the heading "Community focus" above, the Council has agreed a set of priorities with its partners and the emerging Sustainable Communities Strategy reflects this. However, we will continue to ensure that the community is better informed about the Council's priorities and performance by incorporating these into our Communications Strategy.

4. CONSULTATION:

4.1 The findings in the report are based on consultation with Members, Officers and key partners. Relevant Officers were consulted in the preparation of the report.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

5.1 There are no financial implications arising from this report, the proposals within the action plan can be achieved within existing resources.

Finance Officer Consulted: Anne Silley Date: 2.12.09

Legal Implications:

5.2 The Audit Commission report confirms that the formal constitution arrangements are sound and has not identified any issues of concern on the legality of any of the arrangements in place.

Lawyer Consulted: Abraham Ghebre-Ghiorghis Date: 1.12.09

Equalities Implications:

5.3 There are no equalities implications arising from this report.

Sustainability Implications:

5.4 There are no sustainability implications arising from this report.

Crime & Disorder Implications:

5.5 The governance arrangements (including the anti fraud strategy) are robust enough to avoid and deal with any incidents of fraud, corruption or breaches of the law.

Risk and Opportunity Management Implications:

5.6 There are no significant risks identified in the report.

Corporate / Citywide Implications:

5.7 The Audit Commission report confirms that the Council has strong partnership arrangements and effective consultation processes with the public.

SUPPORTING DOCUMENTATION

Appendices:

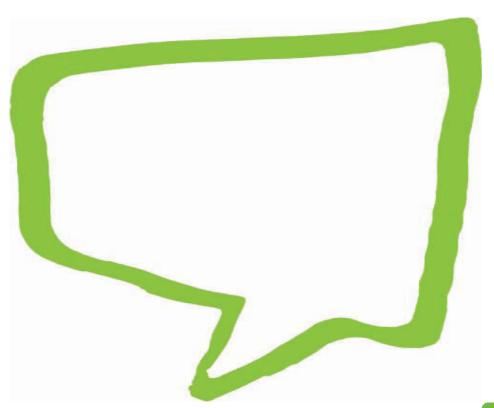
- 1. Audit Commission Good Governance Report (Appendix 1).
- 2. Action Plan (Appendix 2).

Good Governance

Brighton and Hove City Council

Audit 2008/09

December 2009





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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Introduction and background

- Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and culture and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 2 Governance arrangements in the public services are closely scrutinised and sometimes criticised. Significant governance failings attract immense attention and one significant failing can taint a whole sector. Local authorities are big business employing over 2 million people and accounting for 25 per cent of public spending. They are vitally important to all tax payers and citizens. Local authorities have a key role in leading their communities as well as ensuring the delivery of high quality services to them. Good governance structures enable an authority to pursue its vision effectively.
- 3 Good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk. All authorities should aim to meet the standards of the best and be able to demonstrate that sound governance arrangements are in place.
- 4 This review was included in the 2007/08 audit plan because there was evidence that some of the Council's governance arrangements were not as consistently effective as they could be, The Council's Corporate Assessment in 2006 also noted that there were instances of bullying and harassment of staff from within the Council which can impact on the effectiveness of the control environment.
- The Council introduced a new constitution and cabinet structure in April 2008 which has had an obvious impact on the current governance arrangements. The Council has recently completed its six monthly review of the constitution and will be using this as an opportunity to strengthen specific areas of governance such as the scrutiny function. This report contributes to this review.

Audit approach

- 6 To complete the performance review we undertook:
 - a document review;
 - interviews and focus groups involving key Councillors, officers and partners; and
 - an electronic survey of Councillors and senior officers to establish their views on the effectiveness of the Council's governance arrangements.
- 7 The survey was sent out to 145 individuals in October 2008 with a reminder sent out in November 2008. We received 75 responses which represents a 51 per cent response rate, which is a good rate of return. Of the requests to 54 Councillors, 21 replied (response rate of 39 per cent) and of the 91 officers surveyed. 54 replied (response rate of 60 per cent)
- 8 The field work was carried out between November 2008 and March 2009.

Executive summary

- 9 Governance arrangements within Brighton and Hove City Council are generally sound. There is good formal governance arrangements in place but frameworks and protocols are not always fully understood or consistently applied. The Council has clearly defined roles and responsibilities and decision-making structures but in practice, roles and decision-making powers are not always clear and coherent to all Councillors and officers. Governance arrangements have only been in place since April 2008 and therefore arrangements are not yet fully embedded.
- 10 Community leadership and focus is strong. The Local Strategic Partnership 2020 Community Partnership (LSP) has developed a shared ambition, with a supporting vision which addresses the key issues facing the city and provides a clear focus for it. However, some key partners and stakeholders stated that they were not clear about the Council's own vision for the city and its role in working with the LSP to deliver the LSP's vision. The Council therefore needs to ensure that it clearly articulates its own long-term vision to all of its partners.
- 11 The Council contributes to the improvement of its area and quality of life for residents and visitors. This is largely as a result of the effectiveness of its service and strategic arrangements in meeting clearly defined priorities. The Council was rated by the Audit Commission as an 'excellent' authority in 2007/08 and is improving well.
- 12 The formal Constitutional framework and arrangements adopted by the Council are sound. The Council has clear formal processes for decision-making outlined in its constitution. Executive Councillor's responsibilities and delegation arrangements for decision making are clearly set out and supported by well-defined roles and responsibilities. However, the responses to our survey indicate there is lack of understanding by some Councillors about the Council's decision making and delegation processes. The Council expects this to improve as Councillors and officers get more experience of working under the new cabinet arrangements.
- 13 The Council constitution was constructed to allow some flexibility in terms of officer and councillor responsibilities. Their respective powers are therefore not mutually exclusive and there is a degree of overlap. However, this overlap can sometimes give rise to the perception that some Councillors are getting too involved in day to day operations or officers are making decisions that should have been taken at the Councillor level. During the fieldwork, some portfolio holders stated that Councillors were interested in operational matters because they wanted to have a good and full understanding of their portfolios. Councillors and officers acknowledge that they would welcome greater clarification of the roles and responsibilities set out in the constitution and related protocols.

- Our work found that some Councillors felt disengaged from the Council's decision-making processes, Overview and scrutiny has been in place since April 2008 and, at the time of the review, was still developing and there are inconsistencies in approach between the six scrutiny committees. Scrutiny currently lacks rigour and is not yet sufficiently robust or challenging of the Executive. Insufficient work has been carried out in preparing Councillors and officers to implement effective scrutiny. Councillors stated that the Cabinet meetings did not enable effective challenge and debate. As a result many Councillors regard full Council as the only real forum where they can challenge policy, debate political issues and have a real impact. The Council however stated that 'some of the perceived problems were inherent in an executive system where most decision-making is reserved for executive members'. The Council is taking steps to implement a number of improvements following their six month review of the constitution.
- 15 The protocols for dealing with issues of ethical standards, conduct and declarations of interest are in place and are generally effective. There is a well-established standards committee. The number of complaints upheld against Councillors is low. The monitoring officer and his team carry out their roles proactively and there is a good working relationship between the standards committee and the Council's legal team.
- The approach to Councillors' development is effective. Portfolio holders have annual reviews. There is a good training programme for Councillors and an excellent induction programme for new Councillors. The Council's democratic services' provides a good service. Councillors feel well supported by their training and better equipped to undertake their role, although some Councillors do not see learning as a priority and have not engaged in the training opportunities offered. Officer support for the cross-party Councillors' development working group has enabled the Council to gain the South East Employers' charter for Councillors' development in September 2008.
- 17 Partnership working is strong and the Council is effective at consulting and engaging with its stakeholders. The Council has developed strong and effective relationships with it's partners and there is wide representation from partner organisations on key forums such as the Local Strategic Partnership (LSP) and Public Services Board (PSB) .The PSB is well attended and underpinned by partnerships that are responsible for the delivery the new LAA priorities. However, delivery planning processes, effective data sharing and performance management arrangements are work in progress and are not yet fully embedded.

Community Focus

- 18 Community leadership from the city partnership is strong and the Council plays a lead role in this. The Council with its partners has developed a shared ambition for the city, articulated in the sustainable Community Strategy, which is informed by a range of consultation processes. Their vision for the city is underpinned by a clear statement which recognises key issues. The LSP has a clear understanding of the issues it faces which is reflected in the LSP's vision. This vision is supported by priorities and targets which are being used to inform a revised sustainable community strategy. These priorities have already been translated into the Council's corporate plan and will be reflected in new and refreshed service plans with targets. Some partners and stakeholders have however stated that they were unclear about the Council's long term vision, it's long term strategic direction and what role the Council will play in delivering the LSP's city-wide vision and ambitions. The Council should therefore consider improving the way it communicates its own long term vision to all partners and stakeholders.
- 19 The Council leadership sets priorities having regard to statutory requirements and national guidance and the needs of the community. The Council with its partners has undertaken a good analysis of the needs of the city. Through its Reducing Inequalities Review the Council has completed a thorough analysis of need and this has been used to set the revised Local Area Agreement (LAA) priorities and to inform the Council's Corporate Plan 2008-2011. Stakeholders and community groups are satisfied that the Council knows and understands the city, has analysed needs and listened to the views of residents. One good example is the use of the City Views survey which is used to obtain the views of residents and acts as an effective barometer of the community.
- 20 The Council contributes effectively to the improvement of its area and quality of life for residents and visitors. The Council has been rated by the Audit Commission as an 'excellent' authority in 2008/09 and is improving well. This is largely as a result of the effectiveness of service and strategic arrangements in meeting its priorities. The Council has been successful in engaging and influencing community and partnership views to develop a collective partnership approach.
- 21 The Council is further developing performance management arrangements and planning frameworks to ensure there is a robust planning framework across the Council to consistently translate priorities into action. The Council has been successful in developing collective ownership of priorities by its directors and senior managers, following a period where there had been a directorate or less corporate approach taken on some issues. A consistent planning and performance management framework will provide greater rigour to ensure that the Council's efforts are efficient and economic, complementary and coherent.

The Council has a clear focus on meeting the needs and improving services for its diverse communities. The Council has adopted an equalities and inclusion policy that emphasises its resolve to serve its diverse communities without discrimination. There are some good examples of the Council with partners reshaping services to meet community needs. Examples include the adaptation of 20 bus stops for the visually impaired, the training of volunteer travel buddies to help people with learning disabilities travel by bus and an induction programme for new taxi drivers on access and equal opportunities as part of their licensing process. Local communities and groups, including voluntary and community organisations generally feel listened to but there is scope for better regular engagement of some hard to reach groups over broad Council priorities and service design (for example, some of the faith groups and recent migrants).

Recommendation

R1 Improve communication of the long term vision of the Council to partners, stakeholders and the community, in order to increase their understanding of and commitment to the Council's agenda for the city and to improve their understanding of how the Council operates.

Operating effectively in a clearly defined role

- 23 The constitutional arrangements adopted by the Council are sound. The Council has formal processes for decision-making and Councillors' responsibilities and delegation arrangements are set out in the constitution. However, some roles and responsibilities are less clearly understood in practice which can affect the effectiveness of the Council's decision making.
- The Council sets out the roles and responsibilities of officers and Councillors in the constitution and there is appropriate training for Councillors that explains the scrutiny and cabinet functions. The respective powers of officers and members are not mutually exclusive and there is therefore a degree of overlap, which could cause confusion. Some officers and Councillors interviewed stated that there were differences in some Councillors understanding of officers' roles and responsibilities. There is therefore a potential risk that some Councillors could become too involved in the day to day running of operations. During the fieldwork, some portfolio holders stated that Councillors were interested in operational matters because they wanted to have a good and full understanding of their portfolios. Councillors and officers acknowledge that they would welcome greater clarification of the roles and responsibilities set out in the constitution and related protocols.

- 25 There is a lack of clarity about delegation powers to support decision-making by officers. There are formal delegation arrangements which are clearly defined for officers and 76 per cent of officers surveyed regarded these delegation levels as appropriate. Seventy-six per cent of Councillors and 81 per cent of officers surveyed agreed that there was a formal agreement on the relative delegation levels for officers and Councillors. However, the level of delegation to officers, although considered appropriate, is sometimes not fully understood by Councillors. Only 46 percent of officers surveyed felt that Councillors understood the delegation arrangements. In addition, the use of delegated powers by Cabinet portfolio holders varies significantly and is dependent on the confidence, knowledge and experience of the portfolio holder. In some portfolio areas, there are a higher number of service specific decisions that continue to be referred to Cabinet. There is therefore a difference in the way some portfolio holders are utilising decision making powers and arrangements.
- The Cabinet structure did not support efficient and effective decision making. At the time of the fieldwork in December to February 2009, there were nine portfolios some of which cover a small area of the Council's business. This meant that some individual cabinet member meetings were cancelled due to lack of business, were sometimes short with limited decisions being made or were purely an information sharing rather than a decision-making forum. The Council however has recognised this and, following its six month review of the constitution in March 2009, has adjusted the delegated powers for the cabinet members for Central Services, Equalities, Inclusion and Community Affairs and Environment. This will enable more efficient and effective decision-making. In addition, the challenging and complex political environment means that decisions about critical future developments are sometimes delayed.
- 27 The roles of statutory and strategic partners are clear and the Council works well with partners. The involvement and contribution of voluntary and community sector partners is good and they have an effective voice in the local strategic partnership.

Recommendation

- R2 Review the framework for member and officer relations and the related arrangements to ensure that they are understood and followed in practice. This needs to include:
 - joint sessions for senior officers and Councillors to improve their understanding of each others roles and responsibilities and to help develop improved ways of working with each other;
 - a assessment of how well members and officers are adhering to the guidance and protocols relating to officer/Councillors roles and responsibilities and behaviours; and
 - the development of a good practice checklist for Councillors and senior managers that clearly defines what is and is not acceptable behaviour and monitor compliance.

This will enable the Council to develop a clear understanding of the roles and delegated responsibilities of Councillors and officers.

Promoting and demonstrating values of good governance through behaviour

- 28 Councillors generally adhere to the Council's code of conduct. There is a clear expectation amongst Councillors of all parties that they conduct themselves in an appropriate manner in accordance with the code. The majority of Councillors and officers surveyed felt that the values the Council expects them to follow are clearly set out. There is a code of conduct for Councillor/officer relations and standards and behaviours for officers are set out in the leader and manager standards. However, only 40 per cent of officers surveyed felt that Councillors demonstrated commitment to the Council's organisational values in the way they conducted themselves. Councillors consider that the leadership usually acts quickly on the occasions when Councillors' behaviour is inappropriate. However, there is a risk that behavioural issues, if not dealt with effectively, could adversely affect working relationships between Councillors and officers.
- 29 There are positive working relationships between most Councillors and officers. The change of political administration in May 2007 was difficult but most have now got used to the new arrangements that included the Cabinet system of governance. For example, clear roles and responsibilities have been established in children's services with regular budget and performance reviews. However, both Councillors and officers acknowledged that mutual respect for the professional judgement and roles and responsibilities of Councillors and officers needs to continue to improve.
- 30 Working relationships between individual officers and Councillors are improving but are not consistently effective across the Council. Some officers continue to hold the view that some Councillors' actions impact on the timely delivery of the Council's business. For example, there are instances where information has been provided to the press inappropriately. This poor behaviour could result in the Council being less open and limiting it's sharing of information.
- 31 The quality of public meetings and effectiveness of full Council, cabinet meetings, committees and panels is mixed. Both officers and Councillors expressed some concern about the effectiveness of meetings. There is an excessive use of questions and motions at full Council, because the opposition regard this as the only real forum, where they can have an impact. The Council meeting in January 2009 had 18 Councillors' questions and 10 notices of motion. The full Council meeting is therefore long and is not an effective show case for the public. Councillors recognise that many of the motions will not all be debated or are inappropriate but are then used in promotional political material. This means meetings are not meaningful to many Councillors and to the public and could discourage engagement in the democratic process.

- 32 Relationships between political groups are limited and there continues to be some suspicions by opposition members about the effect of the new Cabinet system on the transparency of local government. This has placed a significant responsibility on the Council to address these concerns and ensure that matters of governance and conduct are effective and are given greater exposure. Council officers have developed a strategy for addressing these concerns and have taken appropriate steps. For example, protocols are in place to allow officer briefings for the opposition groups on an ad hoc basis and the Council has recently reinstated the monthly meeting of the leader and the political opposition leaders after an 18 month absence. There are formal and robust mechanisms in place to review and manage the conduct of Council business and the Council regularly reviews its constitution to ensure it is fit for purpose. However, despite these actions some Councillors of the opposition parties continue to feel uninformed and disengaged with the current political arrangements.
- 33 The protocols for dealing with issues of standards, conduct and interest are in place and are generally effective. The Monitoring Officer and his team carry out their roles proactively and there is a good working relationship between the standards committee and the Council's legal team. Eighty-five per cent of Councillors and 67 per cent of officers who responded to our survey consider that there are formal and effective arrangements in the Council to ensure and promote good ethical governance. There is a training programme for Councillors, including a specific module on ethics and probity issues. The number of complaints upheld against Councillors is low. In 2007/08, there was one complaint about Councillors' misconduct to the Standards Board and four complaints to the Council under the new devolved procedures. All were rejected and no breach of the Code was found.
- There is a well-established Standards Committee that includes three independent members from different professional backgrounds, one of whom is the chair and is highly experienced, well regarded and respected. Where there is a risk that a Councillor could breach the code of conduct, the Council uses informal processes initially to try to manage the issue. For example, the Chair of the Committee together with the Monitoring Officer takes an active approach to ensure that issues do not escalate and require formal intervention. The Committee's profile however could be raised, such as by actively promoting an understanding of the benefits of the ethical agenda inside the Council. This will help the Council to further improve the way inappropriate behaviour is dealt with. There is a clear understanding about the arrangements for the declaration of Councillors interests and the register of interests is readily available to the public.
- 35 The Council's whistle blowing policy is not well publicised and more work is needed to strengthen arrangements for reporting (in confidence) incidents of inappropriate behaviour. The Council has a policy in place but 56 per cent of officers and 45 per cent of Councillors surveyed did not believe that the Council has an effective whistle blowing policy. In addition, there was a very high percentage of 'don't know' responses to the survey by senior officers and Councillors for this area. This means that the policy has not been effectively communicated to Councillors and officers.

The Council is providing greater clarity about the core values and behaviours that it wants staff to adhere to in the workplace. It was however difficult to establish whether the Council's expectations are being adhered to and consistently applied by all staff and their managers. The Council is in the process of producing a dignity at work framework that sets out its key values and behaviours. This framework has been developed in response to the issues raised about staff well-being in the 2006 Comprehensive Performance Assessment (CPA) report and the 2007 staff survey. However, the majority of officers and Councillors interviewed were unclear when the framework will be completed or what improvements have been made, since the staff survey. In undertaking our work we did not gain access to front line staff, so it has not been possible to fully establish how well the Council has responded to the issues raised by the CPA report and the 2007 staff survey. Evidence from the survey of officers and Councillors however indicated that 80 per cent thought that bullying by staff is not tolerated within the Council.

Recommendation

R3 Strengthen and raise the profile of the standards committee in promoting good ethical behaviour and standards across the Council.

Taking proper decisions and managing risk

- 37 The Council's decision-making powers are properly constituted and backed by clear protocols, but there is not always a clear understanding of what is required. Officers are generally clear about who can take decisions and generally officers with delegated authority do take decisions, when it is appropriate. Statutory partners and most senior staff report that most key decisions have been made quickly, for example, the Falmer Academy Private Finance Initiative (PFI). There are, however examples where decisions are being delayed despite funding being in place. Executive Councillors report that there is clarity about which decisions can be taken and by whom. However, the use of decision-making powers by portfolio holders remains variable. Some are taking the appropriate level of decision for their role, while others continue to refer most of their decisions to Cabinet.
- 38 Recent changes relating to the removal of some decision making from officers has been interpreted by some officers as a lack of trust in their abilities and integrity, notably the re-introduction of Councillor's selection panels for the appointment of Assistant Directors. However, the changes reflect standard practice in most local authorities where Directors and Assistant Directors are appointed by senior Councillors.

- 39 The communication of decisions taken by the Council is considered to be effective by officers and stakeholders, but not by Councillors. Officers interviewed stated that team briefings are working well in the directorates. Forthcoming decisions are included in the Cabinet's Forward Plan and formal decisions at Cabinet are quickly put on the Council's website. There are live webcasts of Council, Cabinet, Planning and Scrutiny meetings and all cabinet member meetings are open to members of the public. Recordings of the webcasts can also be viewed from the website archives. Some Councillors however do not regard the Cabinet's Forward Plan as a useful or accurate document. In addition, there remains a perception by opposition Councillors that too much business is undertaken confidentially and too many decisions appear to have been made before they are debated openly. Whilst it is recognised that the Council's practices and arrangements are in line with most other councils, the Council needs to look at ways of addressing these current perceptions. In addition, not all Councillors receive regular updates about key changes to Council personnel or service delivery. Statutory partners and voluntary partners consider that the Council is good at consulting with them before decisions are taken and is good at keeping them informed about key changes.
- 40 The Council's risk management of its own operations is good although risk management arrangements involving partners are recognised by the Council as an area for improvement. The Council acknowledges that more assurance reporting and standardisation and sharing of risk registers needs to take place. The Council has made some improvements such as aligning risk matrices between the health partners, the Council and the Civil Contingencies Act partners.
- 41 Scrutiny under the cabinet arrangements is still developing. Scrutiny lacks rigour and insufficient investment had been given over the last few years to prepare Councillors and officers to ensure that the scrutiny role was fit for purpose. Training has not developed the skills needed to support effective scrutiny. A new structure has been in place since April 2008, but this is not yet functioning effectively and there are inconsistencies in practice between the six scrutiny committees. The understanding of the role and function of scrutiny is not yet fully embedded although Councillors are beginning to understand roles and responsibilities.
- The Council has recently begun building capacity to support effective scrutiny and there is a strong commitment to strengthen scrutiny. The Council has now appointed a permanent head of scrutiny and six full time scrutiny support officers to address the current weaknesses. During 2007 the Council established an audit committee to advise the Council on all matters related to corporate governance. Officers and Councillors are determined to introduce more effective challenge and scrutiny of the Executive to ensure that all political parties are involved in informing policy development. These developments are however very much work in progress and further work is needed to strengthen the current arrangements. The scrutiny work programme is not well established and does not effectively enable cross party Councillors to be engaged in policy development work or for potential calls on officers time to be planned in advance. Councillors have not yet considered the balance on their agendas of officer initiated items and Councillors commissioned items. Agendas are large and focus on information sharing, rather than scrutiny.

Recommendations

- R4 Develop confidence in the transparency of the new political processes by improving scrutiny arrangements. The Council should:
 - use the co-ordinating scrutiny committee to produce guidance for officers on the formulation of agendas, work programmes, prioritisation of business and resource implications of its work;
 - develop the skills needed for effective scrutiny; and
 - ensure that the scrutiny role focuses more on proactive review/challenging of decisions, rather than info-sharing.
- R5 Embed the new political arrangements and learn from best practice by working with similar councils who have been recognised as having effective decision-making and democratic processes.

Developing the capacity and capability of the Councillors

- 43 The capacity of elected Councillors is good and it continues to develop amongst Councillors who were new to the Council in May 2007. The intake improved the balance in the age mix and gender of Councillors, although Black and Minority Ethnic (BME) representation is low. The Council does not have a clear strategy for engaging with prospective Councillors and developing existing Councillors' potential. There is therefore scope for improving the level of BME representation and strengthening succession planning for Councillors. The Council needs to re-launch the Councillors' buddy system to develop those Councillors that have been identified as having leadership potential.
- 44 Executive Councillors are becoming clearer about their new roles following the change of administration in 2007 and are becoming more confident in their roles. In 2007, the skills levels of those elected as Councillors varied considerably, but an induction programme and continuous skills development programme for Councillors is in place. Most Councillors have responded well to the move to a Cabinet structure and the Cabinet usually operates at a strategic level. Councillors have worked hard at understanding their specific portfolios and in some areas such as children's services they have developed a strong and effective working relationship with officers.
- 45 There are no job descriptions/person specifications or agreed specific and measurable performance criteria for formally performance managing Councillors including Executive Councillors. Performance of Executive Councillors is monitored informally by the Leader of the Council but this is ad-hoc. None of the political parties have a process for evaluating the effectiveness of individual Councillors. This means the Council cannot be certain that Councillors are effective and that those Councillors who represent the Council on external bodies are the most appropriate to do so.

- There is a good training programme for Councillors and an excellent induction programme for new Councillors is in place. New Councillors praised the induction programme used following the May 2007 election and the formal training for Councillors of statutory committees, such as planning. Other support to Councillors includes corporate briefings to update Councillors on changes to law, policy or services as well as Councillor-specific skills workshops such as chairing meetings. Democratic services provide a good support service for Councillors and officer support for the cross-party Councillors Development Working Group enabled the Council to gain the South East Employers' Charter for Councillors Development in September 2008. Councillors feel well supported by their training and better equipped to carry out their role.
- 47 The approach to Councillor development is effective although the take up of training opportunities by Councillors is inconsistent and a number of Councillors do not see learning as a priority. Councillors' development processes and programmes have been designed based on well-established national development frameworks. The Council uses generic competencies for the different roles Councillors undertake and uses these to assess Councillors training needs. Councillors are required to complete an annual self-assessment against these competencies to determine their training needs. This is used to shape Councillors development events. These events are evaluated and Councillors are sent additional follow up reviews to identify the difference learning has made to their knowledge or skills. However, there are a number of reasons for some Councillors not undertaking training. For example, long serving Councillors feel there is no need for them to have training whereas others work full time and found it difficult to find the time to take up training. The lack of attendance by some Councillors means that core training modules such as scrutiny, equalities and diversity, and the code of conduct have been missed by some Councillors. This is a significant omission for the Council.
- 48 Partners report that Councillors' conduct on the various forums and boards is appropriate and professional. There is no formal process to ensure the Council is properly represented by Councillors with appropriate skills although generally the profile of the allocated Councillors matches the needs of the partnership.

Recommendation

R6 Develop a process to review specific Councillor roles and to ensure the effectiveness of individual Councillors across all the political groups by providing the necessary development and support, where gaps are identified. The focus should be on improving Councillors impact for the benefit of the people of Brighton and Hove.

Partnership working and engaging with stakeholders

- 49 Partnership working is strong and the Council is effective at engaging its stakeholders. The Council has strong and effective relationships with partners both through the LSP and the Public Services Board (PSB). There is wide representation from partner organisations on these forums and a strong collective ownership of the vision and priorities for the city, which are clearly reflected in the targets set for the new LAA. The PSB is well attended and underpinned by thematic working groups that are responsible for the delivery the LAA priorities.
- The Leader of the Council is establishing herself with strategic partners and partners reported that they valued the work done by the recently retired Chief Executive in prioritising and driving the development of an effective city-wide partnership. Most Councillors feel involved and have an identified community role. Seventy-six per cent of Councillors and 83 per cent of officers surveyed were clear about the partners with which the Council is working to improve outcomes for users. Seventy-one per cent of Councillors and 74 per cent of officers consider that the Council works effectively with partners. Effective community leadership is helping the Council to work in partnership to support delivery of the citywide vision.
- Partnership working is also developing well at an operational level. The Children's Trust has fostered a strong culture of multi-disciplinary team-working and through strong partnership and inter-agency working has contributed effectively to the delivery of projects, such as the Falmer Academy PFI Project. Within adult social care, good use is being made of joint commissioning and partnership working to improve the economy, efficiency and effectiveness of local services, particularly to increase the levels of independent living. In addition, the strong community safety partnership has achieved 'beacon status' for its work on the night time economy. This has led to improved feeling of safety and reduced crime.
- Solust delivery planning, data sharing and performance management arrangements are not yet fully embedded. Delivery plans have been formulated and agreed by partners for each LAA priority and the emphasis has been placed on the partners to deliver improvement. The partnership acknowledged that there was scope to improve data sharing between partners, for example, the sharing of data between the hospitals and the Crime and Disorder Reduction Partnership (CDRP) on alcohol related injury. The partnership is taking appropriate action to ensure that data sharing is improved by developing the new Brighton and Hove Local Information System (BHLIS), which is a web-accessible system and is fed with data from all partners. Performance management arrangements require further enhancement to meet the challenging LAA agenda to ensure that there is a robust joint partnership approach to performance management. Partners stated that there was insufficient challenge to under-performance, particularly in the themed partnerships. For example the significant increase in the number of teenage pregnancies.

- Overall the Council's approach to community consultation is good. The Council has a good track record of involving the community in local policy formation and programmes and has developed effective networks to consult and involve the people they serve, for example neighbourhood renewal schemes. The Council is a proactive partner that is willing to engage in local issues and Councillors of all parties are actively engaged, both formally and informally, with their communities. There are good examples of the Council harnessing support from some Councillors of the community, for example the business community in relation to the Brighton Conference Centre development and it is taking steps to make more effective use of the large pool of expertise, knowledge and enthusiasm that exists within the community. The Council with its partners is also further strengthening engagement with the community with the introduction of a new outline framework for consultation within the city the community engagement framework. The framework sets out the strategic vision and guiding principles for community engagement and priority actions to improve engagement.
- The Council has a good system for consulting with the partners and the community about the needs of the community and the priorities for the city. The Council uses its citizen's' panel, Xchange, for consultation and customer feedback. The panel is effectively managed and is used as the main vehicle for seeking the views of city residents about their satisfaction with specific services or issues. This shows, with some exceptions, broad satisfaction with many areas of the Council's work. Officers try to ensure that people with disabilities and those from minority communities are included in the panel. As the panel is drawn from those on the electoral roll, young people under the age of 17 and those not registered are excluded from the process and as a result the views of youth are insufficiently taken into account. However, the children's trust ensures that children and young people are consulted about policy developments. For example, the consultation of children and young people about the children and young people's plan and the referendum on schools admissions policy.
- 55 The Council uses the information from Xchange and 'City View' to effectively inform strategy and policy development. The annual 'City View' survey of 10 per cent of the city's population is run in partnership with the Council's health and police and community safety partners. It aims to build up a clear picture of who lives in the city, why they like living there, what they think about Council services, their health, the city generally and their local neighbourhood. The information from the two surveys has been used in developing strategies to tackle crime and disorder, initiatives for young and old people, maintaining a visible police presence on foot for Friday and Saturday nights, replacement and upgrading of bus shelters and improved signage, Brighton and Hove's Transport Plan and the Council's Waste Strategy. A report on the previous survey, together with an update on any action taken, is sent via a newsletter. The Council makes appropriate use of its website to seek comments on draft polices and plans and to invite general feedback on its activities.

- There are strong consultation frameworks for partners, stakeholders and staff in place, but the process for providing feedback on the outcomes from consultation is unclear. Fifty-seven per cent of Councillors and 62 per cent of officers surveyed believed that there were effective systems to listen to suggestions from external stakeholders, but over 58 per cent of Councillors and 56 per cent of officers thought that the Council did not take action in response to the suggestions made. In addition, 48 per cent of officers felt that the systems for responding to staff views were ineffective. The Council is strengthening the process to ensure feedback on the outcomes from any public and stakeholder consultation is provided to ensure that the community is fully informed of any changes made as result of their consultation.
- 57 The quality of reporting on Council performance to the public is mixed. The Council has been slow in developing user friendly performance reporting information for the public and service users. There is insufficient information on how the Council has performed against its corporate priorities. The Council currently produces an annual performance plan and an associated summary that sets out key inspection ratings and limited commentary on performance. The overall performance plan includes performance indicators, but this plan does not relate the performance indicators to the Council's priorities. It is therefore difficult to determine how well the Council has delivered its key priorities. The performance plan is set out in tabular format but there is limited commentary highlighting achievements against priorities and areas for improvement. The links between the indicator results and the Council's statements of its achievements and future plans are not clear. Elsewhere, access to other information on performance is not easily available, for example information on meeting customer service standards and dealing with complaints. Pages on individual directorates and services consisted mainly of descriptions of the range of provision available.
- 58 External communication is developing. The Council has appointed a Communications Manager and is in the process of modernising its external communication functions including the production of a new communications strategy. This is work in progress and it is therefore too early make judgements on how effective the new arrangements are.

Recommendation

R7 Ensure the community is better informed about the Council's priorities and performance, in particular identify with greater clarity key service and corporate performance targets as a basis for communication with, and reaction from, the whole of the local community.

Appendix 1 – Action Plan

Pg no.	Pg Recommendation no.	Priority 1 = Low 2 = Med 3 = High	Responsibility Agreed Comments	Agreed	Comments	Date
G00	Good Governance Review					
ω	R1 Improve the communication of the long term vision of the Council to partners, stakeholders and the community, in order to increase their understanding of and commitment to the Council's agenda for the city and to improve their understanding of how the Council operates.	е	Director of Strategy and Governance Head of Communications	Yes	As outlined in the report, there is a shared vision and agreed priorities with our partners as reflected in the emerging Sustainable Communities Strategy and our LAA. However, the Council will continue to ensure that the Council's vision and priorities are understood through working with the LSP, PSB and through our Communication Strategy generally.	March 2010

Pg no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Agreed Comments	Date
	This will enable the Council to develop a clear understanding of the roles and delegated responsibilities of Councillors and officers.					
75	R3 Strengthen and raise the profile of the standards committee in promoting good ethical behaviour and standards across the Council.	2	Monitoring Officer	Yes	Since the review was undertaken, the Standards Committee has been active and some of the steps taken include meetings with group leaders and political groups, meetings with senior officers and hearing of complaints against Members. In addition: there will be an annual report of the Standards Committee going to full Council where general issues of standards are highlighted; the Committee will review relevant protocols as part of its work protocols as part of its work programme and issue guidance; and further training and/or meetings with Members will be organised as and when needed.	June 2010

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Appendix 1 – Action Plan

Pg no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Agreed Comments	Date
4	R5 Embed the new political arrangements and learn from best practice by working with similar councils who have been recognised as having effective decision-making and democratic processes.	2	Director of Strategy and Governance	Yes	There is a periodic review of the Constitution, on average every six months. The opportunity will be taken to identify good practices from elsewhere and incorporate them where necessary. We will work with the Audit Commission to identify authorities or Teams recognised as models of good practice.	December 2010
15	R6 Develop a process to review specific Councillor roles and to ensure the effectiveness of individual Councillors across all the political groups by providing the necessary development and support, where gaps are identified. The focus should be on improving Councillors impact for the benefit of the people of Brighton and Hove.	က	Director of Strategy and Governance Head of Law Head of Democratic Services	Yes	This will be referred to the Member Development Working Group to be progressed as part of the Member Development Charter Plus initiative.	December 2010

Pg no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Agreed Comments	Date
8	R7 Ensure the community is better informed about the Council's priorities and performance, in particular identify with greater clarity key service and corporate performance targets as a basis for communication with and reaction from the whole of the local community.	က	Head of Policy Head of Communications	Yes	This will be progressed as part of the emerging Corporate Communications Strategy and through work via the LSP and the Community Engagement Framework. Corporate Communications will build on its 2009/10 strategy to close the gap between satisfaction with services and overall satisfaction with the council. The strategy continues to focus on the external reputation of the council; a strong and consistent dialogue with residents and stakeholders; supporting our internal people agenda and the development of modern public service communications function dealing with the media and marketing (including social marketing).	

Pg no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Agreed Comments	Date
					The Corporate Communications Strategy is informed by research into	
					city profiles and citizens' service	
					on 'building from within' to ensure staff	
					are informed of council policies and	
					are committed to the ambitions of the	
					authority.	
					rne strategy will be rifeasured tillough robust performance indicators around	
					internal and external reputational	
					drivers, including external assessment	
					through Local Area Agreement (LAA)	
					and Comprehensive Area Assessment	
					(CAA) performance reports	

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Review of Internal Audit

Brighton and Hove City Council

Audit 2008/09

October 2009





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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Introduction and background

- Being able to place reliance on the work of Internal Audit is a key theme in our audit approach and in order to do this, we have to carry out a full review of Internal Audit every three years. The last review was completed in 2006 and this one was undertaken between February and August 2009.
- International Standard on Auditing (ISA) 610 (Considering the work of Internal Audit) requires us to perform an assessment of Internal Audit when internal auditing is relevant to the external auditor's risk assessment and we undertake a higher level review annually. Both the three year and annual reviews are considered as part of our assessment of the Council's control framework and risk assessment.
- 3 The Internal Audit function is provided mainly in-house by the Council's Audit & Business Risk Division with some discrete areas delivered in partnership with an external provider, Deloitte.

Audit approach

- The review was based on the Chartered Institute of Public Finance and Accountancy Code of Practice for Internal Audit in Local Government in the United Kingdom (the CIPFA Code) and ISA+610.
- Our objective was to establish that the Council's Internal Audit function is structured and operating in accordance with the CIPFA Code and the ISA. To this end we reviewed the Internal Audit function against the eleven standards of the CIPFA Code.
 - Scope of Internal Audit.
 - Independence.
 - Ethics for Internal Auditors.
 - Audit Committees.
 - Relationships.
 - Staffing, Training and Continuing Professional Development.
 - Audit Strategy and Planning.
 - Undertaking Audit Work.
 - Due Professional Care.
 - Reporting.
 - Performance, Quality and Effectiveness.
- 6 In considering the compliance to the CIPFA Code, we considered the following.
 - The detailed self assessment responses given by the Head of Audit & Business Risk.
 - The evidence presented by the Head of Audit & Business Risk in support of the self assessment.
 - Our knowledge and experience from working with Internal Audit since our last triennial review.
 - Detailed reviews of two pieces of work undertaken by Internal Audit including one where Internal Audit externally contracted with Deloitte for part of the work.
 - Use of Resources assessment work.
 - Internal Audit's review of the Annual Governance Statement.
 - The Council's internal review of the effectiveness of Internal Audit.

Main conclusions

- 7 Our key conclusions are as follows.
 - Our overall conclusion is that Internal Audit provides an effective service. It has a
 positive reputation and standing within the Council which allows it to contribute fully
 to the corporate governance framework.
 - Internal Audit has achieved compliance with the CIPFA Code.
 - The work of Internal Audit is properly planned, supervised, reviewed and reported, and our review of specific projects indicates that a good standard is reached.
 Progress against the audit plan and annual targets is regularly reported to the Audit Committee. Internal Audit is instrumental in aiding the Council to achieve its objectives in terms of governance and particularly in embedding the anti-fraud culture.
 - Internal Audit staff have appropriate skills and training to undertake their roles
 effectively. The function has a strong profile within the Council and a high degree
 of independence. It is reasonably resourced, using contractors where necessary,
 and each team member has an Individual Learning and Development Plan which is
 regularly updated. Staff are aware of their ethical responsibilities and act with due
 professional care.
 - We are able to place reliance on the work of Internal Audit in conducting our own audits subject to sample review annually which is required by the international Standards on audit.
- Internal Audit's relationship with the Audit Commission is well-established as it is with other Internal Audit teams in Sussex and partner bodies. There is engagement with bodies such as Department of Children, Families and Schools relating to Financial Management Standard in Schools and Government Office for the South East regarding grants. We did not clearly identify engagement with the Council's other external regulators/inspectors and whilst this does not diminish the effectiveness of Internal Audit it could be an area for development.
- 9 The detailed findings for each of the eleven headings are set out in Appendix 1. There are no recommendations made in this report.

Appendix 1 – Detailed conclusions

CIPFA Code Standards	Findings
Scope	The purpose, authority and responsibility of Internal Audit are formally defined in terms of reference which are consistent with the CIPFA Code. The scope of the function's remit includes the Council's entire control environment and includes fraud work.
Independence	Internal Audit is independent of the activities that it audits. The status of the function is sufficient for it to be effective. There are procedures in place to facilitate Internal Auditors to have an impartial and unbiased attitude.
Ethics	The Head of Audit & Business Risk ensures that auditors are regularly reminded of their ethical responsibilities. All members of the function are professionally qualified or are in training which helps ensure their awareness of the need for integrity, objectivity and confidentiality is maintained.
Audit Committees	The Audit Committee approves Internal Audit's strategy and annual plan, and monitors them. The Head of Audit & Business Risk regularly interacts with the Chair and other members of the Committee.
Relationships	The Head of Audit & Business Risk manages relationships which includes the nature, responsibilities and expectations of the relationship. Effective relationships are maintained with managers, other organisations internal auditors, external auditors and elected members. There are no clear relationships with other regulators and inspectors. While at present this does not diminish the effectiveness of Internal Audit it may do so in the future.

Appendix 1 – Detailed conclusions

CIPFA Code Standards	Findings
Staffing, Training and Continuing Professional Development	Internal Audit is appropriately resourced to meet its objectives and the Head of Audit & Business Risk is professionally qualified with a good level of experience. Each staff member has an Individual Learning and Development Plan.
Audit Strategy and Planning	The Head of Audit & Business Risk prepares an annual strategy and plan which is developed in accordance with the function's terms of reference and links to the Council's objectives and priorities. The plan is produced to reflect the resources available and is approved by the Audit Committee.
Undertaking Audit Work	For each audit, a brief is prepared, discussed and agreed with relevant auditees. The work is undertaken using a risk-based approach and the findings are discussed with auditees as the audit progresses. Internal Audit has its own documents retention policy distinct from the Council's reflecting Internal Audit's possession of personal information and their handling of freedom of information requests.
Due Professional Care	Our review of Internal Audit work shows that individual auditors use appropriate audit skills and maintain confidentiality.
Reporting	Internal Audit reports communicate audit findings clearly to the auditees and conclude objectively on the area being reviewed. Higher priority recommendations to management are followed up within six months.
Performance, Quality and Effectiveness	In addition to the audit software which largely defines the audit process, Internal Audit has its own Audit Manual and a Fraud Investigation Manual (both being revised). The Head of Audit & Business Risk ensures that staff are appropriately supervised and work is reviewed to monitor progress, assess quality and coach staff. The performance management and quality assurance framework helps ensure that Internal Audit meets its aims and objectives, is compliant with the CIPFA Code, adds value and assists the Council in achieving its objectives. Occasionally there have been delays in Internal Audit's response to specific requests for information to support the Audit Commission's external audit responsibilities.

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Annual Audit Letter

Brighton and Hove City Council

Audit 2008/09

December 2009





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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit Opinion

1 I issued an unqualified audit opinion on the Council's financial statements on 30 September 2009.

Financial Statements

2 The financial statements presented for audit were complete, of a good standard and were supported by good quality working papers in the main. However, improvements are required in accounting for fixed assets. As a result of the issues identified an additional fee of £4,100 was billed.

Value for money

I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

Audit fees

4 An audit plan for 2008/09 was issued in June 2009 which set out the expected fees. Table 1 shows details. As noted above additional fees of £4,100 was billed as a result of extended work required on the audit of fixed asset accounting. Our non-audit work was an independent assessment of the effectiveness of tenant and resident participation in the Council's housing services and to review the housing income management arrangements.

Table 1 Audit and non-audit work fees

Audit activity	Actual	Proposed	Variance
Financial statements and annual governance statement	£195,528	£191,428	£4,100
Value for money	£132,040	£132,040	Nil
Total audit fees	£327,568	£323,468	£4,100
Non-audit work - housing services	£13,800	£13,800	Nil

Brighton and Hove City Council

Independence

I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which it accounts for its stewardship of public funds.

Significant issues arising from the audit

- I identified a number of errors and uncertainties from my audit work and I set out details of the more significant items in our Annual Governace Report. Some amendments were made to the financial statements as a result of the audit work. The errors which were not amended did not impact on the issue of an unqualified opinion.
- 7 The main matters arising which I reported to the Audit Committee on 29 September 2009 related to:
 - incorrect use of prior period adjustments which resulted in some of the 2007/08 comparative figures being changed inappropriately;
 - the residual values of the library and school PFI projects were incorrectly shown as having nil value;
 - the bank overdraft originally shown in the balance sheet as £6.58 million was overstated by £2.8 million; and
 - fixed asset records and capital accounting arrangements which are explained more fully in the section below.

Accounting Practice and financial reporting

- I considered the qualitative aspects of your financial reporting as part of my responsibilities and concluded that the financial statements presented for audit were complete. They were of a good standard and were supported by good quality working papers in the main. However, significant improvements are required in the maintenance of fixed assets records and associated capital accounting practices. A related matter had been raised in the annual audit and inspection letter 2007/08 since which time the Council introduced a new fixed asset accounting system to address the concerns raised.
- 9 Many of the capital accounting issues in 2008/09 arose from difficulties that officers had encountered in making adjustments to the fixed assets register system, Asset 4000. Officers were unable to transfer assets in the register itself without undertaking impairment and revaluation accounting entries, which in most cases created errors in the general ledger and led to mis-statements in the financial statements. I concluded a better understanding of how to use Asset 4000 effectively is needed. With the implementation of International Financial Reporting Standards for the Council's financial statements in 2010/11, which impact on the accounting for fixed assets particularly, the Council should address this as a priority.

Material weaknesses in internal control

10 I did not identify any significant weaknesses in your internal control arrangements, although I did refer to the need for improved internal control arrangements in one area of the payroll system which was also raised in last year's letter.

Internal Audit

- 11 Being able to place reliance on the work of Internal Audit is a key theme in my audit approach and in order to do this, I have to carry out a full review of Internal Audit every three years. Internal Audit is also a key component of the Council's internal control framework and contributes significantly to the Council's overall governance arrangements. My review was mainly based on the Chartered Institute of Public Finance and Accountancy Code of Practice for Internal Audit in Local Government in the United Kingdom (the CIPFA Code).
- 12 My overall conclusion was that Internal Audit provides an effective service. It has a positive reputation and standing within the Council which allows it to contribute fully to the corporate governance framework. As Internal Audit had complied fully with the CIPFA Code no recommendations were made.

Value for money and use of resources

I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

- 13 In forming my scored use of resources judgements, I have used the methodology set out in the <u>use of resources framework</u>. Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 14 I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 15 As part of my Annual Governance Report I set out the findings from the use of resources work. Table 2 shows the scores awarded and in the paragraphs that follow I highlight the key matters in forming my view.

Table 2 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	2
Managing resources (natural resources and asset management only)	3
Overall use of resources score	3

Managing finances

- 16 The Council achieves its medium-term financial plans through effective targeted budget management process. Its financial health remains sound at 31 March 2009 despite settling a substantial equal pay claim, which has been met mainly from internal resources. The Council's medium term financial strategy is now firmly based on directorate service plans and linked to the Council's overall financial strategy where risks, opportunities and service pressures are considered in detail. There is a strong and well documented consultation process with residents and engagement with members to ensure the Council's priorities are matched to those of residents where possible.
- 17 There is a good understanding of the needs and drivers of costs locally. Although the Council has higher costs overall than the national average, after taking account contextual issues they are in line with comparable councils. A root and branch review of all costs was undertaken in 2007/08 which is driving a value for money improvement programme and the corporate critical budget review processes. There is a systematic approach to managing, monitoring and addressing higher spending services. A culture of comparative assessment is embedded within the Council with senior managers regularly reviewing relative costs against performance.
- 18 The Council's performance reporting is sophisticated and clear with outturns published for all of its Local Area Agreement targets on a quarterly basis. A traffic light system is used to indicate performance that is deviating from target and specific actions are identified to improve performance in those areas. Some key areas for improvement have not been achieved despite the Council's efforts such as the achievement of decent homes standard for all its dwellings. During the year, I have monitored the Council's proposal to set up a Local Delivery Vehicle (LDV) to bring in additional investment to improve council dwellings. I have noted that the Council is in contact with the Government Office of the South East about the detailed arrangements and that there is no certainty over the at this time.
- 19 The Council's financial performance reporting has improved significantly with detailed budget monitoring on a monthly basis. As noted earlier in this letter, the financial statements presented for audit were complete, of a good standard and were supported by good quality working papers in the main. However, improvements are required in accounting for fixed assets.

Value for money and use of resources

Governing the business

- 20 The Council has a clear understanding of the needs of its communities and where the greatest inequalities lie. A Joint Strategic Needs Assessment has been completed and the Community Strategy identifies how the Council aims to tackle these issues. There is a procurement strategy in place that is relevant to commissioning activity. However, it is less clear how the Council can provide itself with assurance that the strategy has delivered its aspirations.
- 21 Procurement officers and contract managers have a good understanding of the markets that the Council operated in locally. Work is also underway to support the voluntary sector better by the use of social enterprise arrangements. The Council has weaker overall control of contracts and 'off contract' spend. It is undertaking a substantial piece of work to ensure it knows all the contracts it has entered into and the main areas of spend such that it can realise opportunities for amalgamation and synergy of contracts in the future.
- 22 There is a clear programme of reviews that is identifying service improvements. Emerging outcomes from these processes are starting to identify and support innovative ways to deliver services.
- 23 Data quality (DQ) arrangements are in development. Departmental management teams consider DQ regularly and aim to improve consistency and approach. Information for decision making has been developed to meet Council needs and detailed reports have good levels of analytical data that informs options appraisals. Our review of a sample of three national performance indicators confirmed that they were reported correctly.
- 24 The Council also manages data security effectively to ensure that access is controlled. Members receive quarterly performance updates which are based upon delivery outcomes, progress against corporate priorities and the corporate health of the Council. The Chief Officers' Management Team has monthly performance focus sessions to provide additional challenge to reported performance.
- 25 The Council's governance arrangements are generally sound but there are some opportunities for further enhancement. The internal control environment is sound, and there are good formal governance arrangements in place that set out codes of conduct for officers and members with a robust standards procedure. The Council publishes officers' and members' roles and responsibilities within its Constitution and has formalised arrangements for officers and members to perform their respective roles. There are decision making structures in place with a scheme of delegation and the approach for dealing with legislative issues and to ensure legal advice is sought where relevant is appropriate. The approach to councillors' development is effective. Portfolio holders have annual reviews, new councillors have an induction programme and the Council's democratic services provide support to members to identify training opportunities. However, some members do not engage effectively in taking advantage of training opportunities. The scrutiny process has lacked rigour, although the Council has continued to develop these arrangements during 2009/10. I have made recommendations in the Good Governance review to suggest ways in which the Council can continue to improve its arrangements.

26 During 2008/09 the Council sought to mitigate two of its most significant corporate risks: long-term financing of educational premises by bidding for support through the Building Schools for the Future programme; and negotiating and settling a substantial equal pay claim without any long term impact to its financial health. Both these outcomes have been achieved through detailed consultation with members regarding the impact on Council priorities, a holistic review of reserve funds held and collective responsibility for the management of budgets in-year.

Managing resources

- 27 The Council has had a sustainability strategy in place since 2001, has a good track record of delivering reductions in the use of its natural resources, and has achieved associated cost efficiencies. It has a clear understanding of its own carbon emissions, water usage, other materials, air quality and the maintenance of habitats. There are clear links from the strategy into the wider delivery of services and to the procurement strategy.
- 28 The Council has an asset management plan which has strong links to its strategic priorities and the accommodation strategy, and it recognises the importance of proper maintenance of its assets and justifying its continued ownership. The Council is aware that under-utilised and/or inefficient assets can be a financial drain and has invested in new software to improve the effectiveness of asset management. Data is now held on the condition, suitability and resource usage of its assets. However, the Council is constrained by its limited financial resources to invest in improving these properties, the most notable issue being its own dwelling stock where about 48 per cent is below the decent homes standard.

VFM Conclusion

29 I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources after assessing your arrangements against the criteria specified by the Audit Commission.

Housing advice and assistance work

- 30 The purpose of our work was to independently assess the effectiveness of tenant and resident participation in the Council's housing services and to review the housing income management arrangements and to identify improvements. The key messages from this work were:
 - positive relationships had been built with residents since 2006;
 - the Council had strong self-awareness of current service delivery and areas that needed to be improved;
 - there was evidence of solid progress in improvement and effective improvement planning; and
 - understanding of costs and use of benchmarking to improve value for money was an area for development.

Value for money and use of resources

- 31 More detailed analysis of these findings was provided and an assessment of the Council's prospects to improve was given. The prospects included:
 - there was a recent track record on strengthening trust with tenants;
 - performance indicator trends were generally positive;
 - the Housing Revenue Account business plan reflected the principles of effective service planning and the full range of housing management challenges faced by the Council;
 - some aspects of business planning could be improved by means such as establishment of improvement milestones;
 - high staff turnover and sickness was a barrier to improvement but is being addressed; and
 - the Council was aware of what needed to be done to improve its housing services.

Closing remarks

- 32 I have discussed and agreed this letter with the Chief Executive, Director of Strategy and Governance and the Director of Finance and Resources. I will present this letter at the Audit Committee on 15 December 2009 and will request officers to provide copies to all Council members.
- **33** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Table 3 Reports issued

Report	Date issued
Housing advice and assistance	March 2009
Health Inequalities	September 2009
Annual Governance Report	September 2009
Final Accounts Report	December 2009
Review of Internal Audit	November 2009
Good Governance	December 2009

34 The Council has taken a positive and constructive approach to our audit. I wish to thank the officers for their support and co-operation during the audit.

Helen Thompson District Auditor

December 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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AUDIT COMMITTEE

Agenda Item 50

Brighton & Hove City Council

Subject: Audit & Business Risk Progress Report

Date of Meeting: 15th December 2009

Report of: Director of Finance & Resources

Contact Officer: Name: Ian Withers Tel: 29-1323

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

Wards Affected: All

FOR GENERAL RELEASE

1. Summary and Policy Context

1.1 This report summarises the internal audit work of Audit & Business Risk from April to November 2009. The purpose is for the Audit Committee to consider the activities and progress against the Annual Internal Audit Plan for 2009/10.

2. Recommendation

2.1 That the Audit Committee notes the contents of this progress report, in particular the status of planned internal audit work for 2009/10.

3. Background Information

- 3.1 The Accounts and Audit Regulations 2003 (as amended by the Accounts and Audit Regulations (Amendment) (England) Regulations 2006), require every local authority to maintain an adequate and effective system of internal audit. Audit & Business Risk carries out the work to satisfy this legislative requirement and part of this is reporting the outcome of its work to the Audit Committee.
- 3.2 The Audit Committee has a responsibility for reviewing the council's corporate governance arrangements, including internal control and formally approving the Annual Governance Statement. The internal audit work carried out by Audit & Business Risk is a key source of assurance that the internal control environment is operating effectively.
- 3.3 The audits contained in the Internal Audit Plan 2009/10 are based on an assessment of risk for each system or operational area. The assessment of risk includes elements such as the level of corporate importance, materiality, service delivery/importance and sensitivity.

3.4 The outcome of all audit work is discussed and agreed with the lead service managers. The final reports that include agreed actions to audit recommendations made, are issued to the responsible Director.

4. Amendments to Annual Internal Audit Plan 2009/10

- 4.1 The Annual Internal Audit Plan is subject to constant review throughout the year as the risk profile of the City Council changes. Amendments are discussed and agreed with senior management to ensure that audit reviews undertaken continue to represent a high focus on significant risk areas and the best use of our resources.
- 4.2 Amendments are made where for example risks change, audit review considered no longer to add value or requested by senior management.

Table 1 – Additions/Deletions to Annual Internal Audit Plan 2009/10

Addition/Deletion	Audit Review	Reason
Deletion	Customer Access Project	Risk reduced
Deletion	Flexible	Now part of VFM Phase 2
	Working/Workstyles	Programme
Deletion	Use of local spreadsheets and databases	Risk reduced
Deletion	ContactPoint (IT)	Merged with general audit review
Deletion	Libraries Stock Management	Merged with IT audit
Addition	Residents Parking Permits	Risk increased from fraudulent use
Addition	Procurement Cards	New initiative and associated risk
Addition	Mayor's Charity	Requested
Addition	The Lanes and London Road Car Parks Redevelopment	Requested

5. Progress against the Internal Audit Plan 2009/10

5.1 The progress against the amended Internal Audit Plan for 2009/10 for audit reviews is summarised in Table 2 below.

Table 2: Summary of progress against Internal Audit Plan 2009/10

Audit Stage	Explanation	No.	%
Not Started	Planned but not started	41	40
Fieldwork	In progress (Interviews, documenting, evaluating and testing of risks and controls)	30	29
Draft Report	Draft audit report issued and being agreed with client	13	13
Final Report	Final agreed audit issued and audit complete	18	18
-		102	100

- 5.2 There has been an impact on the achievement of the Annual Internal Audit Plan so far this year due to staff vacancies within the team that consists of twelve members of staff. We have recently been successful in recruiting an Audit Manager who is now in post and two Internal Auditors who will be commencing at the beginning of January 2010.
- 5.3 We have been unable to backfill the vacancies so far by recruiting temporary staff due to the lack of availability of auditors with the necessary skills and experience. We are therefore outsourcing a number of audit reviews to Deloitte and Touche through a framework contract. This will in particular ensure that the high risk audits and those required under 'Managed Audit' arrangements with the Audit Commission will be completed in the necessary timeframes.
- 5.4 We had a higher than normal level of residual work from 2009/10 at the beginning of the year due partly to vacancies but also delayed fundamental systems work.
- 5.5 The level of advisory work has been significantly higher than planned and more so than previous years. We are regularly asked by senior management for proactive advice on systems and governance issues and asked to investigate specific concerns. In excess of one hundred days has been spent during the year so far on Equal Pay and Future Pay due to the criticality to the council and our work has been considered to be vital to the project.
- 5.6 The achievement of the Annual Internal Audit Plan is considered to be low at only 18% but we are currently projecting and achievement of 91% for the year due to filling of vacancies and backfilling through the use of Deloitte and Touche.

6. Final Audit Reports Issued

6.1 Since the progress report to the Audit Committee for the period April to September, we have completed fourteen audit reviews to final report stage. Audit reports are issued as final where their contents have been agreed with client management, in particular management actions with responsibility and timescale. The audit is then effectively closed except for the scheduled implementation review of agreed actions.

6.2 The fourteen final audit reports issued are shown in Table 3 below which includes the assurance levels given and number of agreed actions under assigned priority level.

Table 3: Final Reports Issued

Audit	Report Status	Assurance Level	Agreed Actions and Priority		Priority
				Medium	Low
Concessionary Fares Scheme	Final	Substantial	0	2	1
Customer Satisfaction	Final	Reasonable	0	4	0
Cash Handling	Final	Limited	1	7	0
Delayed Discharges	Final	Reasonable	0	2	0
Golf Courses	Final	Substantial	0	4	0
Gas Servicing	Final	Reasonable	0	12	1
Client Billing	Final	Reasonable	0	6	2
Building Control	Final	Limited	0	7	0
King Alfred Leisure Centre	Final	Reasonable	0	7	1
Culture & Enterprise Income	Final	Reasonable	0	14	2
E-Procurement	Final	Substantial	0	6	0
Royal Pavilion	Final	Reasonable	0	11	0
Seafront Services	Final	Limited	6 4		0
Home Care	Final	Reasonable	0	1	0

6.3 The statement on the level of assurance on the effectiveness of internal controls and mitigation of risks, for each audit is a best practice requirement. Members should also note that the assurance levels assigned and agreed are subjective and based on materiality and significance. They often therefore have no direct relationship with the number of agreed actions to recommendations made.

6.4 There are currently five levels of audit assurance used and these are summarised as follows:

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

7. Advice and Support to Directorates

7.1 We have continued to be pragmatic in providing professional proactive advice and this element of our work is seen as invaluable by directorates, particularly in areas of change management. By taking this proactive approach, often problems and risks can be avoided. As discussed in paragraph 5.5 the most significant advice work has been spent on Equal Pay and Future Pay. Other areas include recruitment/identity, contract management, financial management, information security, intranet, codes of conduct etc.

8. Counter Fraud Work

- 8.1 We will be issuing an Annual Fraud & Corruption Report for 2009/10 to the next Audit Committee meeting that will provide a summary of both reactive (e.g. investigations) and proactive activities.
- 8.2 We have commissioned a Fraud Risk and Measurement Review with Deloitte and this is approaching completion and the outcome will be reported to the next Audit Committee meeting also.
- 8.3 We are actively taking part in the National Fraud Initiative (NFI); a data matching exercise that matches data from a number of public sector organisations to identify inaccuracies in data or potential fraud. We have lead the exercise with various investigatory sections across the council (e.g. Housing Benefits, Parking etc). We have so far indentified significant levels of additional income and overpayments for recovery and are currently

- undertaking further investigations of potential fraud cases. A full report will be made to the Audit Committee at the end of the exercise in May 2010.
- 8.4 The City Council was also recently selected as a "best practice" authority by the Audit Commission to participate in review of the National Fraud Initiative. Certain Directors, Assistant Directors and the Chair of the Audit Committee were interviewed and feedback from the Audit Commission has been good. A National Report will be published by the Audit Commission in 2010.

9. Performance of Audit & Business Risk

9.1 To achieve planned coverage and deliver a high quality service we have well established performance indicators, agreed annually as part of the Annual Internal Audit Plan. These are also includes in our Service Business Plan and monitored regularly. Table 4 provides an overview of the performance of Audit & Business Risk against the key targets set.

Table 4: Performance against targets

Performance Indicators	Target	Actual to
	for Year	Date
Effectiveness		
% of agreed recommendations	98%	97%
% implementation of agreed management actions	85%	88%
CPA/CAA Use of Resources Score for Internal Control	Level 4	Level 3
Efficiency		
% of planned days delivered	100%	53%
% of productive time	71%	75%
Achievement of Annual Internal Audit Plan	95%	18%
% of draft reports issued within 10 days of fieldwork completion	90%	94%
% response by client to draft reports within 15 days	90%	87%
% of issue of final reports within 10 days of agreement	95%	94%
Quality of Service		
% of customer satisfaction feedback in very good or good	90%	95%

10. FINANCIAL & OTHER IMPLICATIONS:

10.1 Financial Implications:

The Internal Audit Plan for 2009/10 will be delivered within existing budgetary resources. Any reduction in internal audit work would have a negative impact on for example financial probity and value for money. This in turn would have a negative impact on the council's finances through increased financial risk.

Patrick Rice 2nd December 2009 Head of Financial Services – Corporate & Environment

10.2 Legal Implications:

Regulation 6 of The Accounts & Audit Regulations 2003 require the Council to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. It is a legitimate part of the Audit Committee's role to review the level of work completed and planned by internal audit.

Oliver Dixon

4th December 2009

Lawyer

10.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

10.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

10.5 Crime & Disorder Implications:

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

10.6 Risk and Opportunity Management Implications:

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

10.7 Corporate / Citywide Implications:

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

SUPPORTING DOCUMENTATION

Background Documents

- 1. Annual Internal Audit Plan 2009/10
- 2. Code of Practice for Internal Audit in Local Government (CIPFA) 2006
- 3. Accounts & Audit Regulations 2003 (Amended 2006)

AUDIT COMMITTEE

Agenda Item 51

Brighton & Hove City Council

Subject: Annual Governance Statement 2008/09 - Action Plan

Progress Update

Date of Meeting: 15th December 2009

Report of: Director of Finance & Resources

Contact Officer: Name: lan Withers Tel: 29-1323

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

Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The Audit Committee has a responsibility for reviewing the council's corporate governance arrangements, including internal control and formally approving the Annual Governance Statement. The Annual Governance Statement includes an action plan for improvements to the council's governance framework and the Audit Committee should seek assurance over the effective implementation.
- 1.2 This report provides the Audit Committee with an update on the council's progress in implementing action agreed in the Annual Governance Statement for 2008/09.

2. RECOMMENDATIONS

2.1 That the Audit Committee notes the progress on the actions agreed in the Annual Governance Statement for 2008/09.

3. BACKGROUND INFORMATION:

- 3.1 The Annual Governance Statement for 2008/09 was approved by the Audit Committee in June 2009. The Annual Governance Statement included a number of "governance issues" and actions required.
- 3.2 The Accounts and Audit Regulations 2003 (amended in 2006) requires the council to undertake a review at least annually of the effectiveness of its governance arrangements and to publish the results in an Annual Governance Statement with the financial statements required by the Regulations.

- 3.3 The council has an effective process for preparing the Annual Governance Statement and this was recognised in the recent Comprehensive Area Assessment, Use of Resources Assessment by the Audit Commission.
- 3.4 The Officers Governance Board is responsible for the review and ongoing monitoring of implementation of actions. The Annual Governance Statement Action Plan is a standing agenda item.

4. ANNUAL GOVERNANCE ACTION PLAN

- 4.1 The Annual Governance Statement Action Plan is attached at Appendix 1 and shows the progress to date in implementing the agreed actions.
- 4.2 The Annual Governance Statement Action Plan includes estimated completion (%) and dates, where these are available.

6. CONSULTATION

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

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial

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

Patrick Rice 2nd December 2009 Head of Financial Services - Corporate & Environment

5.2 Legal Implications:

The Audit Committee has a duty to approve the Annual Governance Statement, following due consideration, (as provided for by regulation 4 of the Accounts and Audit Regulations 2003). The Committee thus has a legitimate interest in the actions underway to improve the council's governance framework.

Oliver Dixon Lawyer 4th December 2009

5.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

5.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

5.5 Crime & Disorder Implications:

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

5.6 Risk and Opportunity Management Implications:

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

5.7 Corporate / Citywide Implications:

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

SUPPORTING DOCUMENTATION

Appendices:

1. Annual Governance Statement 2008/09 Action Plan

Background Documents

- 1. Annual Governance Statement 2008/09
- 2. Brighton & Hove City Council's Code of Corporate Governance
- 3. CIPFA/SOLACE Delivering Good Governance in Local Government (Framework 2007)
- 4. Delivering Good Governance in Local Government Guidance notes for English Authorities (CIPFA/SOLACE 2007)
- 5. Accounts & Audit Regulations 2003 (Amended 2006)
- 6. The Annual Governance Statement (CIPFA Finance Advisory Network)



Annual Governance Statement 2008-09 Action Plan for Improvements to the City Council's Governance Framework

No	Area	Action Item	% Complete	By When/Progress	Lead Officer
No 1.	Financial Management - Improved access to tools and training.	Financial skills training to	85%	Two levels of course have been designed and delivered for Budget Managers with each being delivered four times per year. The courses form part of the Corporate Learning & Development Programme for Managers. New Business Intelligence training for Finance Staff has also been delivered to enable improved reporting and analysis use the Business Objects software application to interrogate financial systems and data. The design of new courses for advanced training in the use of the corporate financial information systems (Authority Financials/Authority Purchasing) is nearing completion and these will be provided as both e-Learning packages and classroom training. The Finance Intranet content is up and running	Assistant Director, Financial Services
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No	Area	Action Item	% Complete	By When/Progress	Lead Officer
				reviewed as part of the value for money review of the Finance Function to identify further improvements.	
2.	Human Resources System – Improved management information for workforce management.	Implementation of new system and improvements to processes and control for the effective management of the council's workforce.	30%	April 2010. Phase 1 for Core HR, Absence Management and Payroll Functionality. December 2010. Phase 2 for Learning and Development, Health and Safety functionality and online access to employees and managers.	Assistant Director, Human Resources
3.	Value for Money	The ongoing transformation of the council through the Value for Money Programme Phase 2, not just to reduce costs but where appropriate the redesign of services for improved delivery and meeting customer's expectations.	-	A high level business case for identifying and apportioning savings has been carried out and was presented to TMT in November 2009. This will be developed into action plans for key service areas (Adults, Children,s, ICT, Accommodation and Workstyles) to meet savings targets over the next three years.	Director of Finance & Resources

No	Area	Action Item	% Complete	By When/Progress	Lead Officer
4.	Medium Term Financial Strategy (MTFS)	Review and update of strategy to respond to the financial pressures on the council.	75%	February 2010. MTFS due to be part of the 2010/11 Budget Report.	Head of Strategic Finance and Procurement
5.	Partnership Risk	Review of risks in relation to the Local Area Agreement in particular achievement of targets.	0%	March 2010. Arranging workshop with LSP.	Risk and Opportunity Manager
6.	Partnership Agreements	A revised Section 75 agreement with the Sussex Partnership Trust.	-	End of June 2010. A number of issues regarding arrangements currently being resolved in particular relating to pooled budgets.	Head of Law
7.	International Financial Reporting Standards (IFRS)	, , ,	15%	Due to be implemented for the 2010/11 Statement of Accounts. However the 2009/10 Statement of Accounts must be restated on an IFRS basis.	Assistant Director, Financial Services
				Project Board now set-up to oversee the implementation. Various sub groups set-up to assess the impact of the various aspects of IRFS implementation including	

No	Area	Action Item	% Complete	By When/Progress	Lead Officer
				PFI arrangements, Leases, Fixed Assets, Valuations etc, to develop project plans and identify resource requirements to support implementation.	
8.	Whistleblowing Policy and Process	Updating to enhance the effectiveness of the policy, in particular awareness and confidential reporting arrangements.	5%	End of March 2010. Review commenced on the effectiveness of the whole whistleblowing process including the policy. Comparison to be made with other local authorities.	Head of Audit & Business Risk
9.	Audit Committee – Accountability and Performance	To make an annual report to full council to provide independent assurance on the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment.	0%	End of March 2010. Head of Audit & Business Risk currently researching best practice of other local authorities.	Audit Committee Chair

102		

No	Area	Action Item	% Complete	By When/Progress	Lead Officer
10.	Audit Committee – Effectiveness	To undertake a self assessment review of its role and effectiveness in meeting standards expected.	0%	End of March 2010. This will use the CIPFA Toolkit and make comparison with best practice of other public sector organisations.	Head of Audit & Business Risk
11.	Overview and Scrutiny	Continuing to build the role of the Overview and Scrutiny Commission and Scrutiny Committees	-	Scrutiny function continues to be developed with an increased understanding of its role across the City Council and partner organisation. Co-ordination between the executive and scrutiny considered to be improving with the introduction of 'three-cornered' meetings between scrutiny chairs, cabinet members and directors. More work planned to ensure scrutiny gets a good mix of predecision, policy development and critical friend items.	Head of Overview & Scrutiny

AUDIT COMMITTEE

Agenda Item 52

Brighton & Hove City Council

Subject: Targeted Budget Management (TBM) Month 06

2009/10

Date of Meeting: 15 December 2009

Report of: Director of Finance & Resources

Contact Officer: Name: Nigel Manvell Tel: 29-3104

E-mail: nigel.manvell@brighton-hove.gov.uk

Wards Affected: All

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

1.1 This report contains the Targeted Budget Management (TBM) Month 6 report considered by Cabinet on 12 November 2009. The report is included on the Audit Committee agenda for information.

2 RECOMMENDATIONS:

The Audit Committee is recommended to:

2.1 Note the decisions of the Cabinet on 12 November 2009 in respect of TBM Month 06.

3 RELEVANT BACKGROUND INFORMATION:

- 3.1 TBM reports are included in the Audit Committee's work programme and are presented to the committee for information following consideration by the Cabinet. The Audit Committee are invited to consider TBM reports in the context of the committee's Terms of Reference and therefore consider the following aspects:
 - any material financial risk implications arising from the latest financial position set out in the TBM report;
 - ii) any material financial risk implications arising from actions or decisions contained in or relating to the TBM report;
 - iii) any material financial risk implications for the council's financial statements arising from the TBM report and related decisions, and;
 - iv) any implications arising from the TBM report, or related actions and decisions, for the council's Risk and Opportunity Management (ROM) strategy.

3.2 The Audit Committee is not required to consider the merits of actions or decisions contained in or relating to TBM reports; this is within the purview of the Overview & Scrutiny Commission.

4 EVALUATION OF ALTERNATIVE OPTIONS:

4.1 The report is for information only.

5 REASONS FOR REPORT RECOMMENDATIONS:

- 5.1 To ensure that the Audit Committee is fully aware of the current forecast revenue and capital outturn position of the authority and to consider the implications for financial risk and the Risk and Opportunity Management strategy accordingly.
- 6 FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

6.1 The report is for information only. There are no direct financial implications. Financial implications in relation to the TBM report itself are contained in Appendix 2.

Finance Officer Consulted: Nigel Manvell Date: 3/12/09

Legal Implications:

- 6.2 The role of the Audit Committee in relation to this report is clearly set out in paragraph 3 above. There are no further legal implications arising directly from this report.
- 6.3 Legal implications in relation to the TBM 6 report considered by Cabinet on 12 November 2009 are set out in paragraphs 5.2-5.3 of that report.

Lawyer consulted: Oliver Dixon Date: 4

December 2009

Equalities Implications:

6.4 There are no direct equalities implications arising directly from this report.

Sustainability Implications:

6.5 There are no direct environmental implications arising from this report.

Crime & Disorder Implications:

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

Risk and Opportunity Management Implications:

- 6.7 There has been no direct risk assessment for this report.

 <u>Corporate / Citywide Implications:</u>
- 6.8 The Council's financial position impacts on levels of Council Tax and service levels and therefore has citywide implications. The Audit Committee plays an important role in the governance and management of risk relating to the authority's financial position.

SUPPORTING DOCUMENTATION

Appendices

Appendix 1: Extract from the minutes of the Cabinet 12 November 2009.

Appendix 2: Copy of report to Cabinet 12 November 2009:Targeted Budget

Management (TBM) Month 06 2009/10

Documents in Members' Rooms

None

Background Documents

None

EXTRACT FROM MINUTES OF THE CABINET MEETING HELD ON 12 NOVEMBER 2009

BRIGHTON & HOVE CITY COUNCIL

CABINET

4.00PM 12 NOVEMBER 2009

COUNCIL CHAMBER, HOVE TOWN HALL

MINUTES

Present: Councillors Mears (Chairman), Brown, Caulfield, Fallon-Khan, Kemble, K Norman, Simson, Smith, G Theobald and Young

Also in attendance: Councillors Mitchell (Leader, Labour Group), Randall (Convenor, Green Group) and Watkins (Opposition Spokesperson, Liberal Democrat Group)

Other Members present: Councillors Allen, Bennett, Cobb, Fryer, Harmer-Strange, McCaffery, Meadows, Morgan, Oxley and Taylor

PART ONE

116. TARGETED BUDGET MANAGEMENT (TBM) 2009/10 MONTH 6

- 116.1 The Cabinet considered a report of the Director of Finance & Resources concerning the forecast outturn position on the Council's revenue and capital budgets as at the end of September 2009 (for copy see minute book).
- 116.2 Councillor Mitchell expressed concern that there had been no improvement to directorate budgets and that this would ultimately result in increased charges for services and new charges for existing services.
- 116.3 In response to questions from Councillor Mitchell, Councillor Caulfield made the following comments:
 - The unforeseen works to housing properties were as result of damp and structural problems discovered in some areas and a decision had been taken to carry out the works while scaffolding was already up; she fully expected the Housing Revenue Account to be balanced at the end of the financial year.

- Work had only been carried out to LDV properties where major repairs were required; the majority of works could wait until new legal arrangements were determined.
- She had not received any indication that health and safety works had ceased.
- The Council had responded to the government's consultation on the abolition of the current housing subsidy system and she would circulate the response. However, it was understood that no decision would be taken until after the next general election. This made it difficult for the Council to plan how to pay off debt, and therefore the decision had been taken to repay debt early to reduce risk.
- The Director of Finance & Resources confirmed that if changes were made to the housing subsidy system it would be based on the council's notional debt, so decisions made on whether to pay down debt or not would not have any impact.
- 116.4 In response to Councillor Mitchell, Councillor Brown reported that the issue of raising the capital receipt for the government's Co-location Programme was likely to be considered at the next Cabinet meeting.
- 116.5 In response to questions from Councillor Randall the following comments were made:
 - Councillor Norman confirmed that he would provide a breakdown of the £700,000 savings delivered in Adult Social Care and that the revised prediction of growth in physical disabilities was due to a data quality issue, which had now been addressed.
 - Councillor Brown reported that savings delivered in respect of Children's Services were primarily due to a restructure of the management team and that front line services had not been affected.
 - The Director of Finance & Resources explained that the Council
 had been negotiating with the Audit Commission to reduce external
 audit fees by relying more on the work of the Internal Audit team.
 She offered to provide further details on the Council's use of
 consultants.
 - Councillor Theobald offered to provide further details of recovery measures and reported that measures, including vacancy management had been implemented across the directorate and would be monitored closely.
 - Councillor Caulfield explained that work was ongoing in regard to the housing management improvement programme; as part of it, the three year programme would be presented at the next round of Area Housing Management Panels and it was expected that the whole programme would be considered by the Housing
 - Management Consultative Committee in December.

- 116.6 **RESOLVED** That, having considered the information and the reasons set out in the report, the Cabinet accepted the following recommendations:
 - (1) That the forecast outturn for the General Fund, Section 75
 Partnerships and Housing Revenue Account (HRA) for 2008/09
 as at month 6 be noted.
 - (2) That the impact of financial recovery plans on the forecast outturn position be noted.
 - (3) That the drawdown of £0.350 million from reserves to meet potential costs of the Marina Development Appeal be approved.
 - (4) That the forecast outturn position on the capital budgets as at month 6 be noted.
 - (5) That the changes to the capital budget be approved.

Item 52: Appendix 2

CABINET Agenda Item 116 Brighton & Hove City Council

Subject: Targeted Budget Management (TBM) Month 6

Date of Meeting: 12 November 2009

Report of: Director of Finance & Resources

Contact Officer: Name: Nigel Manvell Tel: 29-3104

E-mail: <u>nigel.manvell@brighton-hove.gov.uk</u>

Key Decision: Yes Forward Plan No. CAB11487

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 financial information necessary for the completion of the report was not available in time to meet the standard publication deadline.

1 SUMMARY AND POLICY CONTEXT:

- 1.1 This report sets out the forecast outturn position on the revenue and capital budgets as at the end of September 2009 (month 6).
- 1.2 The report shows an improved forecast against a backdrop of significant inyear social care pressures and the impact of economic conditions. This reflects the effective monitoring and control of financial performance and more importantly the recovery actions being undertaken to ensure that spending overall remains within budget.

2 RECOMMENDATIONS:

- (1) To note the forecast outturn for the General Fund, Section 75 Partnerships and Housing Revenue Account (HRA) for 2008/09 as at month 6.
- (2) Note the impact of financial recovery plans, detailed in Appendix 1, on the forecast outturn position.
- (3) Approve the drawdown of £0.350 million from reserves to meet potential costs of the Marina Development Appeal.
- (4) Note the forecast outturn position on the capital budgets as at month 6.
- (5) Approve the changes to the capital budget as summarised in Appendix 4 and detailed in Appendices 5 8.

3 RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 The table below shows the forecast outturn position for council controlled budgets within the general fund, including directorates and centrally managed budgets and the outturn on NHS managed S75 Partnership Services.

Forecast		2009/10	Forecast	Forecast	Forecast
Variance		Budget	Outturn	Variance	Variance
Month 4		Month 6	Month 6	Month 6	Month 6
£'000	Directorate	£'000	£'000	£'000	%
811	Adult Social Care & Housing	43,013	43,684	671	1.6%
-	S75 Learning Disability Services	23,713	23,713	-	0.0%
1,565	Children & Young People's Trust	54,510	56,557	2,047	3.8%
(42)	Finance & Resources	18,870	18,774	(96)	-0.5%
-	Strategy & Governance	13,155	13,143	(12)	-0.1%
514	Environment	38,644	38,787	143	0.4%
282	Culture & Enterprise	12,064	12,377	313	2.6%
3,130	Sub Total	203,969	207,035	3,066	1.5%
(745)	Centrally Managed Budgets	14,187	11,352	(2,835)	-16.8%
2,385	Total Council Controlled Budgets	218,156	218,387	231	0.1%
					/
292	NHS Trust managed S75 Services	13,496	13,882	386	2.9%
2,677	Total Overall Position	231,652	232,269	617	0.3%

3.2 The Total Council Controlled Budgets line in the above table represents the total current forecast risk to 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 financial risk for these services generally lies with the relevant provider Trust. The forecast outturn on the HRA is as follows:

Forecast		2009/10	Forecast	Forecast	Variance
Variance		Budget	Outturn	Variance	Month 6
Month 4		Month 6	Month 6	Month 6	%
£'000	Housing Revenue Account	£'000	£'000	£'000	
(165)	Expenditure	47,869	48,090	221	0.5%
254	Income	(47,869)	(47,793)	76	0.2%
89	Total	-	297	297	

3.3 The overspend forecast of £0.231 million (excluding S75 Partnerships) is explained in more detail in Appendix 1.

Corporate Critical Budgets

3.4 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		2009/10	Forecast	Forecast	Forecast
Variance		Budget	Outturn	Variance	Variance
Month 4		Month 6	Month 6	Month 6	Month 6
£'000	Corporate Critical	£'000	£'000	£'000	%
999	Child Agency & In House	18,144	19,134	990	5.5%
153	Sustainable Transport	(921)	(689)	232	25.2%
(300)	Housing Benefits	159,350	159,050	(300)	-0.2%
(220)	Concessionary Fares	7,345	7,085	(260)	-3.5%
805	Community Care	22,763	23,524	761	3.3%
-	Section 75 Learning Disabilities	20,657	20,657	-	0.0%
1,437	Total Council Controlled	227,338	228,761	1,423	0.6%
292	S75 NHS & Community Care	11,323	11,709	386	3.4%
1,729	Total Corporate Criticals	238,661	240,470	1,809	0.8%

3.5 The key activity data for each of the corporate critical budgets is detailed in Appendix 2. Note that the analysis in Appendix 2 will not always match exactly the outturn variances shown in the table above, due to a number of different elements that can affect the outturn. The Appendix is designed to highlight the key underlying activity data that is having the most significant effect on the forecast. Narrative explanations regarding the projections are contained within the individual directorate forecasts contained in Appendix 1.

Collection Fund

3.6 The collection fund is currently forecast to have an overall in-year surplus of £1.5 million, of which the council's share is £1.277 million, and this will be included as either one-off resources as part of the budget setting process for 2010/11 or used to offset any residual overspend in 2009/10. The main reason for the surplus is that new properties added to the valuation list have exceeded the anticipated increase in exempt properties so there is an estimated net increase of 960 in properties paying council tax across the city.

In addition to this the council tax collection performance is currently above target and there are also higher levels of council tax benefit being granted.

Annual Efficiency Savings

- 3.7 The Comprehensive Spending Review 2007 assumes that, nationally, local authorities will deliver 3% cash releasing gains year-on-year. Progress made by authorities will be reported via the National Indicator NI 179 which measures Value for Money gains since the start of the 2008/09 financial year.
- 3.8 The national requirement to produce 3% cash releasing gains is reflected in the Medium Term Financial Strategy. Appendix 3 to this report summarises the efficiency savings agreed as part of the 2009/10 budget process and current progress against their achievement. Variances to the agreed efficiencies are included in the directorate forecasts.

Impact on the Medium Term Financial Strategy (MTFS)

3.9 The lower than budgeted pay award has improved the overall position but the underlying overspend in directorates remains very high and will cause significant budget pressures going into 2010/11 if this cannot be addressed.

Capital Budget 2009/10

This part of the report gives Members details of the capital programme budget position for 2009/10.

3.10 On 26 February 2009, Budget Council considered a capital investment programme report for the financial year 2009/10 and agreed a capital investment programme of £107.265 million. Some of the schemes included in the budget report related to schemes already approved in detail in previous years, while the remainder of the schemes have yet to be approved in detail following their inclusion.

The following table shows the currently approved capital budget.

Capital Investment Programme 2009/10	2009/10
	Budget
	£'000
Slippage brought forward from 2008/09 approved 11 June 2009	2,578
Budget Reprofiles from 2008/09 approved 11 June 2009	3,550
Capital Investment Programme schemes approved	69,718
Total Capital Budget 2009/10 as at month 6	75,846

3.11 The major part of the capital investment programme still to be approved relates to the potential resources generated by the Local Delivery Vehicle

- (LDV) to improve council housing stock. A separate report on the Cabinet agenda provides more information about the Housing LDV.
- 3.12 Where schemes are forecast to exceed their budget, budget holders must identify additional resources to finance the shortfall. Forecast overspends of greater than £0.050 million or 10% of the original budget are required to be reported back to Members, either in detailed reports or through this capital monitoring report. Scheme delays or 'slippage' are also monitored in an effort to ensure schemes are delivered not only on budget, but also on time. Where a scheme is forecast to slip by £0.050 million or more, the budget holder will report back to Members, on the amount and the impact of the delay on service delivery.

Capital Forecast Outturn

3.13 A number of changes are proposed to the capital programme as follows: new schemes are proposed and summarised in Appendix 5, budget reprofile requests in Appendix 6; variation requests to the capital budgets are contained in Appendix 7 and slippage forecasts of over £50,000 are listed in Appendix 8. A summary of the proposed changes are shown in the table in Appendix 4.

Overspends

3.14 The overspend within the Housing Revenue Account (HRA) of £0.343 million as shown in Appendix 4 is due to Somerset Point & Wiltshire House brickwork repairs, unexpected minor capital works and lift condition surveys in reparation for the new service contract. This overspend will be funded from the HRA reserves. The £0.030 million overspend being reported within Children & Young People's Trust is in respect of the Falmer Academy outline business case.

Budget Reprofiling

3.15 Delays have been identified in some projects due to factors outside of our control. Appendix 7 provides details of the reasons and asks Members to agree to the re-profiling of the budget, which in most cases will result in the resources being moved from this year's capital programme to the next.

Capital Slippage

3.16 Capital slippage into next year has been included this month on the schemes identified in Appendix 8. Project managers have forecast that £1.231 million of the capital budget may slip into the next financial year. £0.904 million relates to devolved school budgets – budgets over which schools control the timing of the expenditure. The net slippage on the directly controlled budgets therefore amounts to £0.327 million, or 0.42% of the budget.

Prudential indicator for capital expenditure

- 3.17 Each year, the council sets a number of prudential indicators that show its capital investment plans are affordable and that borrowing levels are sustainable and prudent. For 2009/10, these were set by the council on 26 February 2009. One of these indicators is 'capital expenditure' and in February the council set this at £107.265 million for 2009/10. This indicator helps us to demonstrate that our capital expenditure plans are affordable.
- 3.18 The Capital Investment Programme report demonstrated how the schemes are fully funded and affordable. The revenue effects of this programme were fully considered as part of the revenue budget setting process.

Capital Receipts

- 3.19 Capital receipts are used to support the capital programme. For 2009/10 the programme is fully funded, however, any changes to the level of receipts during the year will impact on future years' capital programmes.
- 3.20 Capital receipts (excluding housing) are estimated to be £1.4m. Currently, £0.7 million has been received which includes the long leasehold disposal of part of the Wellsbourne Centre site and the licence fee in respect of the Community Stadium. This leaves £0.7 million of receipts to be achieved during the rest of the financial year. Assets are actively being marketed to achieve the level of receipts budgeted for. These assets have previously been approved for disposal.
- 3.21 The level of sales of council homes through 'right to buy' has been severely affected by the current market conditions in house prices generally and the higher cost and availability of mortgages in the current economic climate. The Government receive 75% of the proceeds of 'right to buy sales'; the remaining 25% is retained by the council and used to fund the capital programme. The estimated useable receipts for 'right to buy' sales is £0.5 million for this financial year and to date £0.1m has been received.
- 3.22 The reduction in receipts will impact on the level of investment in future years for corporate funds such as the Strategic Investment Fund, Asset Management Fund and ICT Fund as well as support for Housing initiatives. If there are no other compensating receipts generated and the current trend for 'right to buy' sales continues the capital strategy will need to be reviewed and the consequences of this will be reported within the Capital Investment Programme report to cabinet in February 2010.

Comments by the Director of Finance & Resources

3.23 The current position shows that demand for social care and the economic downturn are causing significant in-year pressures. These continue to be

closely monitored by directorates to understand their current and potential longer term financial impact and, where necessary, factored into the development of the 2010/11 budget strategy. In the meantime, directorates are taking mitigating actions and have and continue to identify short and medium term recovery measures to address overspends.

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.

Legal Implications:

- 5.2 Part 3.4 of the council's financial regulations requires the Director of Finances & Resources to report to the Executive on the overall revenue and capital budget position on a regular basis, under the Targeted Budget Management framework.
- 5.3 Further, under part 3.1 of these regulations, it is for the Executive to take inyear decisions on resources and priorities in order to deliver the budget within the financial limits set by full Council. Hence Cabinet is authorised to approve the drawdown as proposed by recommendation 2 (3) and the changes to capital budges proposed by recommendation 2 (5), having regard to the effect this may have on the revenue and capital outturn positions for 2009/10.

Lawyer consulted: Oliver Dixon Date: 05/11/09

Equalities Implications:

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

Sustainability Implications:

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

Crime & Disorder Implications:

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

Risk & Opportunity Management Implications:

5.7 There are no direct risk or opportunity management implications arising from this report.

Corporate / Citywide Implications:

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

6 EVALUATION OF ANY ALTERNATIVE OPTION(S):

6.1 The forecast outturn position on council controlled budgets is an overspend of £0.231 million. Any overspend that exceeds risk provisions and contingencies will need to be funded from General Fund reserves, which will then need to be replenished as part of the 2010/11 budget and MTFS proposals.

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 proposed budget allocations and capital budget changes are necessary to maintain a balanced programme and effective financial management.

SUPPORTING DOCUMENTATION

Appendices:

- 1. Directorate Revenue Outturn Forecasts
- 2. Corporate Critical Budgets Activity Data
- 3. Update on Efficiency Savings 2009/10
- 4. Capital Summary Outturn
- 5. Proposed new schemes
- 6. Proposed Capital Budget Re-profile Requests between years
- 7. Proposed Capital Budget Variations
- 8. Proposed Capital Slippage

Documents in Members' Rooms

1. None.

Background Documents

1. None.

Adult Social Care & Housing

Forecast		2009/10	Forecast	Forecast	Forecast
Variance	Division	Budget	Outturn	Variance	Variance
Month 4		Month 6	Month 6	Month 6	Month 6
£'000		£'000	£'000	£'000	%
-	Housing Strategy	4,746	4,873	127	2.7%
811	Adult Social Care	38,267	38,811	544	1.4%
811	Total	43,013	43,684	671	1.6%

Explanation of Key Variances

There are significant in-year pressures being experienced in Adult Social Care, in particular growth in home care and residential care for people with physical disabilities. These pressures were identified early in the year and financial recovery measures of £0.700 million have been delivered to date to reduce the current forecast overspend to £0.671 million. Further demand management strategies and other recovery measures continue to be developed as detailed below.

The overspend in housing strategy is attributable to the management costs associated with placing CYPT service users in temporary accommodation.

The forecast overspend on Adult Social Care has reduced further by £0.267 million since TBM 4 as a result of a revised prediction of growth in physical disabilities (from 26% to 19%) following a review of homecare commitments.

Strategies and associated management actions are in place to work towards substantially offsetting pressures and reducing the potential overspend. Actions include:

- Ensuring appropriate funding streams are used to meet the costs of complex need cases such that Disabled Living Allowance /Independent Living Fund are maximised.
- Ensuring effective use of resources through robust and consistent application of Fair Access to Care Services criteria across all services:
- Maximising benefits and ensuring that Attendance Allowance and other benefits are used to purchase domiciliary and other 'low level' requirements;
- At review stage, ensuring that Fair Access to Care Services criteria is applied and care repackaged to ensure new services are fully utilised (e.g. community solutions/Telecare etc.);
- Operating a vacancy control system and controls over agency staff costs.

Children & Young People's Trust

F		0000/40			F
Forecast		2009/10	Forecast	Forecast	Forecast
Variance	Division	Budget	Outturn	Variance	Variance
Month 4		Month 6	Month 6	Month 6	Month 6
£'000		£'000	£'000	£'000	%
(358)	Director	3,500	2,972	(528)	-15.1%
1,042	Area Integrated Working	22,170	23,809	1,639	7.4%
-	Learning , Schools & Skills	(3,248)	(3,084)	164	5.0%
1,079	Citywide Services	30,108	31,104	996	3.3%
102	Commissioning & Governance	1,980	2,056	76	3.8%
(300)	Vacancy Management	-	(300)	(300)	0.0%
1,565	Total	54,510	56,557	2,047	3.8%

Explanation of Key Variances

Director (£0,528 million) - this budget area relates to the staffing budget of the Director, Assistant Directors and admin support teams and in addition the unallocated budget to offset the overall Directorate position in the current year. This budget area underspend mainly relates to unallocated budget to offset the overall Directorate position. In particular the Director has taken the decision to switch £0.504 million from DSG funding of ABG areas in view of the size of the directorate overspend.

Area Integrated Working £1,639 million overspend. This branch leads on the development of integrated area working, including early intervention and prevention. Area working includes the Youth Service, Children's Centres, EPS, EWS and frontline social work teams.

Area Social Work Teams are projected to overspend by £0.312million due mainly to agency/sessional staff and transport costs. Legal fees are included within this division and these are currently forecast to overspend by £0.700 million. Legal expenses have increased due to changes in the law by the Public Law Outline (PLO). This is due to several factors, primarily the significant increase in the number of children being referred for care proceedings in line with national trends. The numbers of care proceedings are set to double this financial year compared with last financial year. In addition to this, the Court Fees have been increased by the Ministry of Justice and the cost of the Court issue Fee has increased from £175 to over £4,000 per fully contested case; it looks likely that the spend on court fees alone will be over £0.100 million above the sum allocated by the government for this purpose.

The other main overspend within this branch is £0.491 million on Preventative Payments. This relates to the ongoing costs relating to homeless families, payments to 'friends & relatives' carers and provisions.

Learning, Schools & Skills £0.164million overspend. This branch has responsibility for school admissions and transport, school funding including Schools Forum and Healthy Schools. The AD also leads on involving schools in the next phase of development of the Children and Young People's Trust. The main area of overspend in this area relates to Home School Transport £0.170 million.

Citywide Services £0.996million overspend. This branch is involved in taking the lead on ensuring best outcomes for Children in Care and those with special educational needs, disability and complex health needs. In addition the branch is responsible for the budget for individual placements for children and the Youth Offending Team.

The table below shows the variances in this area.

Details	Variances
	£000
Independent Foster Agency Payments	981
Residential Agency Placements	(302)
Disability Agency Placements/Palmeira	28
Secure Accommodation	284
Other	5
Net BHCC Position to Report	996

There has been a significant and sustained increase in activity in terms of referrals to social care (at times up to 61%) following Baby P and the Laming recommendations. This has resulted in a 33% increase in the number of children with a child protection plan and a 12% increase in the number of looked after children from July 2008 to June 2009.

Commissioning & Governance £0.076million overspend. This branch leads on behalf of the Children and Young People's Trust and Brighton & Hove PCT on the commissioning of services for children, young people and their families. In addition the work of this branch includes currently developing the new Children and Young People's Plan which will drive the next phase of the CYPT.

Vacancy Management (£0.300million). To partly address the overspend, a Vacancy Management target of £0.300 million is included in the forecast; the aim is to achieve savings without impacting on social workers and statutory staffing.

A plan has been developed to address the overspend and includes a number of short, medium and longer term actions.

In summary these actions include:

- Realignment of existing prevention provision to target families most at risk
- Review of use of secure accommodation and development of suitable better value alternatives
- Increasing in-house fostering
- Review use of mother and baby placements
- Review of contracted services and application of VFM approach
- Develop proposals for permanency planning
- Review of costs relating to court proceedings/use of experts and ISW's

The above actions are being quantified as part of the Stage 2 Value for Money programme and exact numbers and estimated savings will be available by December 2009.

Finance & Resources

Forecast		2009/10	Forecast	Forecast	Forecast
Variance	Division	Budget	Outturn	Variance	Variance
Month 4		Month 6	Month 6	Month 6	Month 6
£'000		£'000	£'000	£'000	%
(134)	Finance	6,432	6,242	(190)	-3.0%
(170)	ICT	5,659	5,430	(229)	-4.0%
(126)	Customer Services	3,782	3,647	(135)	-3.6%
388	Property & Design	2,997	3,455	458	15.3%
(42)	Total	18,870	18,774	(96)	-0.5%

Explanation of Key Variances

Finance are projecting an underspend due to a reduction in external audit fees resulting from productivity improvements within the Internal Audit service which now undertakes work previously conducted by external audit. Higher than normal levels of staff turnover and associated vacancy management actions are also in place to assist the overall financial position.

ICT are forecasting an underspend due to savings on licence agreements and staff turnover/vacancy management. High priority projects and services to support business continuity (e.g. Helpdesk) are being maintained.

The main pressure in Customer Services relates to an expected shortfall in land charge income of £0.182 million, a slight improvement on month 4, due to the downturn in the housing market and the competition from private sector search companies. The corporate critical Housing Benefit budget is expected to generate an additional £0.300 million in subsidy, as local authority errors are predicted to be held below the government threshold and therefore attract additional subsidy.

Property & Design is forecasting a shortfall against commercial rent income of £0.420 million. The main loss is due to rent/lease renewals being on lower terms than expected due to the economic downturn; there has also been a slight increase in the number of voids. Income on this budget is particularly sensitive to the current market conditions and is being monitored very closely. Various measures are in place to manage and minimise the existing pressure, such as aggressive marketing, offering small businesses the option to pay rent in monthly instalments rather than quarterly, and negotiating short term lets to minimise voids. Currently there are only 2 voids out of 200 city centre retail units. Proactive procedures have been put in place for temporary lets and property services have a list of potential clients so that they can tailor the possible voids to the right clients/product. Temporary tenants have been put in place already and/or are about to be put in place where leases have been surrendered. Appropriate measures are being implemented for each property on a case-by-case basis. As a result, the shortfall is £0.410 million lower than it would have been without such action.

Strategy & Governance

Forecast		2009/10	Forecast	Forecast	Forecast
Variance	Division	Budget	Outturn	Variance	Variance
Month 4		Month 6	Month 6	Month 6	Month 6
£'000		£'000	£'000	£'000	%
-	Improvement & Organ Devel	1,650	1,638	(12)	-0.7%
-	Legal & Democratic	3,020	3,055	35	1.2%
	Services				
_	Policy Unit	3,340	3,405	65	1.9%
-	Human Resources	4,004	3,904	(100)	-2.5%
-	Executive Office	574	574	-	0.0%
-	Communications	567	567	-	0.0%
-	Total	13,155	13,143	(12)	-0.1%

Explanation of Key Variances

In-year pressures across the directorate indicated a potential overspend of £0.295 million, for example, the impact of the economic downturn and the associated reduction in property transactions which has reduced legal fees substantially. However, a review of funding sources and identification of recovery actions should put the budget on course for break even. The measures identified are as follows:

- £0.080 million is likely to be secured via additional external funding for BHLIS (Brighton & Hove Local Intelligence Service) and Community Engagement work.
- Additional external and internal income streams across the department have so far have achieved £0.070 million.
- A further £0.145 million has been found by a combination of managing down current cost pressures and early identification of deliverable underspends, particularly within Human Resources and Improvement & Organisational Development.

Environment

Forecast		2009/10	Forecast	Forecast	Forecast
Variance		Budget	Outturn	Variance	Variance
Month 4	Division	Month 6	Month 6	Month 6	Month 6
£'000		£'000	£'000	£'000	%
-	City Services	29,700	29,700	-	0.0%
100	Sport & Leisure	2,225	2,175	(50)	-2.2%
153	Sustainable Transport	(921)	(689)	232	25.2%
(20)	Public Safety	5,325	5,226	(99)	-1.9%
390	City Planning	2,315	2,455	140	6.0%
(109)	Vacancy Management	-	(80)	(80)	0.0%
514	Total	38,644	38,787	143	0.4%

Explanation of Key Variances

Sustainable Transport are forecasting an overspend in the main due to lower than budgeted income from penalty charge notices, on street and off street parking. A range of measures have been implemented across the division to mitigate the variance.

Public Safety is forecasting an underspend due to spending controls and contract efficiencies.

In City Planning, both Development Control and Building Control have seen a drop in income from applications, in particular, there has also been a decline in the number of planning applications for large residential schemes due to the current economic conditions, leading to a shortfall of £0.140 million.

The legal fees associated with the Marina Development appeal are expected to cost £0.350 million; it is proposed to fund costs from corporate reserves should the appeal be successful and any award of costs will be put back into reserves.

The directorate is endeavouring to improve the financial position by keeping all services under constant review and taking action where feasible to reduce expenditure and raise additional revenue. A number of recovery measures have been implemented across the directorate to stop the forecast worsening further and vacancy management has been introduced to try and further mitigate overspends. The vacancy management will need to be carefully managed to ensure the impact on service delivery is minimised.

Appendix 1

Culture & Enterprise

Forecast		2009/10	Forecast	Forecast	Forecast
Variance	Division	Budget	Outturn	Variance	Variance
Month 4		Month 6	Month 6	Month 6	Month 6
£'000		£'000	£'000	£'000	%
75	Tourism & Venues	1,710	1,785	75	4.4%
-	Libraries & Information Services	4,073	4,073	-	0.0%
190	Royal Pavilion & Museums	2,204	2,443	239	10.8%
17	Culture & Economy	3,606	3,605	(1)	0.0%
-	Major Projects & Regeneration	471	471	-	0.0%
282	Total	12,064	12,377	313	2.6%

Explanation of Key Variances

The Directorate has instigated management action to contain the forecast overspend and progress towards a balanced position. Higher than expected increases in energy costs for the Royal Pavilion & Museums of £0.085 million have caused the forecast overspend to increase. Before this exceptional item, the Directorate had identified £0.054 million reduction in the forecast as a result of management action.

Further action will be taken for the remainder of the financial year to work towards a balanced position. This includes tighter controls on filling vacant posts and spending only on essential items of supplies and services.

Tourism and Venues is forecasting an overspend due to business rates revaluation and unbudgeted repairs works at the Brighton Centre on the soil waste pipes. Venues will continue to maximise income to meet budget pressures and will look to re-phase planned maintenance work to accommodate this within the available planned maintenance budget (PMB) and reduce pressure on the venues budget.

Income at the Royal Pavilion and Museums is expected to be £0.300 million below target which is partly offset by vacancy management savings of £0.162 million and other efficiencies within the service of £0.024 million. Additional actions include retail product introduction and driving up profit margins; introduction of events to compensate for losses on corporate functions and weddings. Energy recharges of £0.125 million relating back to 2007 have been identified as a result of shared use of electricity.

Centrally Managed Budgets

Forecast		2009/10	Forecast	Forecast	Forecast
Variance	Division	Budget	Outturn	Variance	Variance
Month 4		Month 6	Month 6	Month 6	Month 6
£'000		£'000	£'000	£'000	%
-	Bulk Insurance Premia	2,960	2,960	-	0.0%
(220)	Concessionary Fares	7,345	7,085	(260)	-3.5%
-	Area Based Grant	(13,705)	(13,705)	-	0.0%
(375)	Capital Financing Costs	10,319	9,919	(400)	-3.9%
-	Levies & Precepts	195	195	-	0.0%
(150)	Other Corporate Items	7,073	4,898	(2,175)	-30.8%
(745)	Total	14,187	11,352	(2,835)	-16.8%

Explanation of Key Variances

The underspend on concessionary bus fares has increased by £0.040million to £0.260million as a result of the removal of a provision for potential outstanding costs from the Sussex Countywide scheme. It should be noted however that in respect of the 2009/10 scheme the September concessionary bus journeys are up 8.6% from last year which is the highest increase so far this year. This could be due to the good weather experienced during September, however, should this trend continue it could lead to increased costs.

There is a forecast £0.400 million underspend on Financing Costs (after a contribution from the interest rate reserve of £0.900 million). The Treasury Management Policy 6 month review report elsewhere on the agenda describes the reasons why the council has been repaying debt primarily to reduce the council's exposure to investment risk. The repayment of debt has also resulted in a net saving to the council of around £1.2m after taking account of the loss of investment income, although there is a net cost to the HRA due to perverse changes in subsidy (see HRA).

Under 'Other Corporate Items', there has been an improvement of £1.275 million to the Other Corporate Items budget due to the pay award being confirmed at 1%, which is lower than the 2% included in the budget. The 2009/10 budget also includes a contingency provision of £0.750 million which is therefore available to offset general in-year pressures relating to social care demand and the economic situation.

The forecast assumes the transfer of £0.700 million from contingency to support Building Schools for the Future; this transfer is dependent on a break even revenue outturn position.

Section 75 Partnerships

Forecast		2009/10	Forecast	Forecast	Forecast
Variance	Division	Budget	Outturn	Variance	Variance
Month 4		Month 6	Month 6	Month 6	Month 6
£'000		£'000	£'000	£'000	%
-	Council managed S75 Servs	23,713	23,713	-	0.0%
292	NHS Trust managed S75 Servs	13,496	13,882	386	2.9%
292	Total S75	37,209	37,595	386	1.0%

Explanation of Key Variances

Council managed S75 services (Learning Disabilities) are forecasting a breakeven position. A financial recovery plan of £1.900 million is in place and the forecast assumes achievement of this target. To date, £1.390 million has been achieved as a result of panels ensuring that eligibility criteria (FACs) are applied robustly; there are also cost reductions from Preston Drove remodelling and the Home Care review. Discussions with the PCT are ongoing on complex cases which are considered eligible for Continuing Health Care or Joint Funding. Assessments of 17 outstanding cases are not expected to be completed until December at the earliest. There is therefore a risk of a shortfall against the remaining element of the Financial Recovery Plan.

NHS Trust managed S75 services are forecasting an overspend of £0.386 million as follows:

- Sussex Partnership Foundation Trust (SPFT) Mental Health & Substance Misuse is overspending by £0.343 million due to increases in the number and cost of homecare placements in Adult Mental Health.
- South Downs Health Trust is forecasting a small overspend of £0.043 million, due to a staffing pressure on intermediate care services.

Generally, the S75 Partnership Agreements require the Integrated Service Providers (SPFT and SDH) to manage in-year cost pressures and carry this risk, subject to any agreement by the partners to vary risk-sharing provisions within the agreements. However, in practice, overspends can arise for a combination of unplanned provider and/or commissioning reasons and therefore overspends often need to be resolved jointly by commissioners and the provider/s by agreeing new risk sharing parameters. Risk share arrangements and ways of controlling expenditure are being actively discussed with SPFT to ensure that the current pressure is managed.

Appendix 1

Housing Revenue Account (HRA)

Forecast		2009/10	Forecast	Forecast	Forecast
Variance		Budget	Outturn	Variance	Variance
Month 4		Month 6	Month 6	Month 6	Month 6
£'000	Housing Revenue Account	£'000	£'000	£'000	%
(518)	Employees	9,266	9,009	(257)	-2.8%
(69)	Premises – Repair	11,028	11,161	133	1.2%
) ý	Premises – Other	3,038	3,087	49	1.6%
(7)	Transport & Supplies	2,113	2,043	(70)	-3.3%
(19)	Support Services	2,251	2,222	(29)	-1.3%
140	Revenue contribution to capital	4,734	4,874	140	3.0%
(613)	Capital Financing Costs	4,356	3,608	(748)	-17.2%
912	Subsidy Payable	11,083	12,086	1,003	9.0%
(165)	Net Expenditure	47,869	48,090	221	0.5%
84	Dwelling Rents (net)	(41,168)	(41,140)	28	0.1%
(15)	Other rent	(1,222)	(1,258)	(36)	-2.9%
79	Service Charges	(3,861)	(3,863)	(2)	-0.1%
20	Supporting People	(564)	(533)	31	5.5%
86	Other recharges & interest	(1,054)	(999)	55	5.2%
254	Net Income	(47,869)	(47,793)	76	0.2%
89	Total	-	297	297	

Explanation of Key Variances

The forecast spend has increased to a projected overspend of £0.297 million compared to the overspend of £0.089 million forecast at month 4.

- TBM month 4 showed a forecast underspend on Employees of £0.518 million due to the anticipated pay award being lower than budgeted for and vacancy management. This underspend has decreased to £0.257 million due to more agency workers being employed to cover work together with the additional one year staff costs associated with the improvement programme. Vacancies continue to be the major factor of the underspend which are being managed against service requirements pending the implementation of the findings of the Housing Management improvement programme.
- The Premises Repairs forecast shows an overspend of £0.133 million; an increase in expenditure of £0.202 million compared to month 4. This represents 1.2% of the Repairs revenue budget (£11.028 million) and includes the following variances:-

- The Responsive Repairs budget is forecast to overspend by £0.342 million mainly due to high levels of expenditure during the early part of the year relating to additional works not in the base contract, such as damp proofing, being undertaken. Any repairs that are not considered a priority will now be programmed into the planned maintenance programme which is more cost effective.
- This overspend has been partly mitigated by the delay in implementing new service contracts (£0.101 million, now programmed to be implemented on 1 April 2010), and efficiencies realised in the decorations contract (£0.103 million).
- Transport and supplies are now projected to underspend by £0.070 million (£0.007 million in month 4). This is mostly due to a reduction in the contribution to the Bad Debt Provision as a result of a reduction in rent arrears.
- Revenue Contributions to Capital continues to be projected at £0.140 million overspent. The capital projection variation relating to 6 major voids was approved at TMT cabinet on 29 June 2009.
- The current economic situation has led to a change in the corporate strategy for Treasury management within the current policy. In order to substantially reduce its exposure to risk, the council has prematurely repaid some £57 million of debt. This early repayment has also benefited the council by reducing capital financing costs of which the HRA has seen a reduction of £0.691 million, (i.e. £0.748 million capital financing costs underspend net of £0.057 million interest reduction shown under Income). However, for the HRA, due to the complexities of the subsidy system, there is also an increase of £1.003 million Housing Subsidy payable to central government resulting in a net overspend of £0.312 million. The council is monitoring the financial markets and when there are signs that the markets are returning to a more stable and secure outlook, these interim measures will be withdrawn and new borrowing will be raised. If and when this happens, the negative impact on the HRA will be revised.
- The Service Charges under achievement of income has reduced to £0.004 million. The amount the council charges its leaseholders of sold council flats for major works was projected to under achieve by £0.075 million at month 4. However, as capital schemes have now been finalised, it will now be possible to bill leaseholders in this financial year enabling an almost break even position to be achieved.

KEY ACTIVITY DATA SUPPORTING CORPORATE CRITICAL BUDGET FORECASTS – Appendix 2

	Activity	Unit Cost		BUDGET	Γ		FORECAS	т		VARIANCE	
	Indicator	Indicator	Activity	Unit Cost/	Budget	Activity	Unit Cost/	Budget	Activity	Unit Cost/	Budget
				Income			Income			Income	
				£	£		£	£		£	£
Child Agency & In-house Placements								0=1.100	(2.2)	40-	
Disability Agency	Number of children	Cost per week	9.00	1,893.30	888,500	8.76	2,088.79	954,100	(0.2)	195	65,600
Disability Respite			n/a	n/a	157,000	n/a	n/a	119,500			(37,500)
Independent Foster Agency (IFA)	Number of children	Cost per week	96.00	946.20	4,736,400	129.77	845.01	5,717,800	33.8	(101)	981,400
Residential Agency	Number of children	Cost per week	42.00	2,419.09	5,297,800	36.60	2,617.76	4,995,800	(5.4)	199	(302,000)
Secure Accommodation	Number of children	Cost per week	2.00	4,088.77	426,400	3.05	4,465.66	710,200	1.1	377	283,800
In-House Placements	Number of children	Cost per week	401.00	268.32	5,610,400	375.59	286.58	5,612,400	(25.4)	18	2,000
Leaving Care Accommodation	Number of children	Cost per week	43.50	404.15	916,700	49.82	301.30	782,700	6.3	(103)	(134,000)
Leaving Care Ex Asylum Seekers	Number of children	Cost per week	16.00	133.65	111,500	32.48	143.30	242,700	16.5	10	131,200
Educational Agency (DSG)	Number of children	Cost per week	121.00	723.81	4,566,700	102.00	725.06	3,856,257	(19.0)	1	(710,443)
						ļ					280,057
Community Care											
NHScc Older People	No. WTE Clients	Cost per week	1,663	203	17,613,000	1.791	189	17,613,000	128.1	(15)	0
NHScc Physical Disabilities	No. WTE Clients	Cost per week	518	179	4,828,000	621	161	5,200,000	102.9	(18)	372,000
NHScc Asylum Seekers MH	No. WTE Clients	Cost per week	40	174	367,000	91	160	757,000	50.8	(14)	390,000
Wiledo Adylam Georgia Will	No. WIE official	Coot per week	40	17-	007,000	0.	100	707,000	00.0	(14)	762,000
Section 75 Learning Disabilities											
S75 NHScc Learning Disabilities	No. WTE Clients	Cost per week	682	581	20,657,000	685	576	20,583,000	3.6	(5)	(74,000)
S75 NHS & Community Care Act											
S75 NHScc Adult Mental Health	No. WTE Clients	Cost per week	235	260	3,184,000	299	239	3,721,000	63.5	(21)	537,000
S75 NHScc Older People Mental Health	No. WTE Clients	Cost per week	483	262	6.608.000	521	244	6.626.000	37.7	(18)	18,000
S75 NHScc Substance Misuse	No. WTE Clients	Cost per week	5	390	104.000	4	475	104.000	(0.9)	85	0
S75 NHScc HIV	No. WTE Clients	Cost per week	26	154	210,000	31	130	211,000	5.0	(24)	1,000
3.3.3.3001111		2 30t por moon		1.54	210,000		1.50	211,000	0.0	(=-)	556,000

Appendix 3 PROGRESS AGAINST THE ACHIEVEMENT OF THE 2009/10 EFFICIENCY SAVINGS

	Budget £'000	Forecast £'000	Variance £'000	Explanation
Adult Social Care & Housing				
Adult Social Care	(1,063)	(805)	258	The main reason for the projected shortfall is due to difficulties in progressing the procurement of supported housing options for Physical Disabilities clients.
Housing Strategy	(145)	(145)	0	Bloadiffice dieffic.
Sub-Total	(1,208)	(950)	258	
	(1,200)			
СҮРТ				
Directorate Restructure	(540)	(412)	128	
Central Area and Schools Support	(50)	(50)	0	
Specialist Services	(450)	0	450	The underachievement relates to IFA's
Sposialist Solvisos	(100)	· ·	100	placements which have not continued the expected downward trend following the
Sub-Total	(1,040)	(462)	578	impact of Baby P and Laming.
Sub-10tal	(1,040)	(402)		
Finance & Resources				
Finance	(192)	(192)	0	
ICT	(350)	(350)	0	
Customer Services	(575)	(575)	0	
	(115)	, ,		
Property & Design Sub-Total		(115)	0	
Sub-Total	(1,232)	(1,232)	0	
Strategy & Governance				
Director	(8)	(8)	0	
Improvement & Organ Devel	(28)	(28)	0	
Legal & Democratic Services	(36)	(36)	0	
Executive Office	(10)	(10)	0	
Human Resources	(53)	(53)	0	
Sub-Total	(135)	(135)	<u>ö</u>	
Jub-1 Otal	(133)	(133)		
Environment				
City Services	(1,660)	(1,660)	0	
Leisure	(, = = = ,	(, = = = ,	0	
Sustainable Transport	(50)	(50)	0	
Public Safety	()	()	0	
City Planning			0	
Sub-Total	(1,710)	(1,710)	0	
Culture & Enterprise				
Libraries & Information services	(20)	(20)	0	
Royal Pavilion & Museums	(56)	(56)	0	
Tourism	(10)	(10)	0	
Economic Development &	(138)	(138)	0	
Regeneration	` /	. ,		
Major Projects and Venues	(15)	(15)	0	
Sub-Total	(239)	(239)	0	
				•

PROGRESS AGAINST THE ACHIEVEMENT OF THE 2009/10 EFFICIENCY SAVINGS

	Budget £'000	Forecast £'000	Variance £'000	
Section 75 : Learning Disabilities Council Lead Learning Disabilities	(800)	(800)	0	
Sub-Total	(800)	(800)	0	
Health Led Section 75 arrangements	(22)	(2.2)		
Intermediate Care	(63)	(32)	31	
Sub-Total	(63)	(32)	31	
Total	(6,427)	(5,560)	867	
Housing Revenue Account				
Employees	(94)	(94)	0	
Supplies & Services	(45)	(45)	0	
Repairs -Responsive/Empty Properties/service contracts	(181)	(48)	133	The underachievement of the repairs savings relates to the responsive repairs contract due to additional works not in the base contract as reported in TBM 6.
Repairs - Gas Servicing savings under supplies & services	(198)	(198)	0	·
Repairs - Gardening Older People	(20)	(20)	0	
Support Services	(63)	(63)	0	
Total	(601)	(468)	133	

CAPITAL SUMMARY OUTTURN - APPENDIX 4

	2009-10 Budget	New Schemes	Budget Reprofiles	Budget Variations	Amended Budget	2009-10 Forecast	2009-10 Forecast	2009-10 (Savings) /
Directorate	£'000	£'000	£'000	£'000	£'000	Outturn £'000	Slippage £'000	Overspends £'000
Strategy & Governance	756	65	£ 000	£ 000	821	821	2,000	£ 000
Culture & Enterprise	1,606	125			1,731	1,731	_	-
Finance & Resources	4,408	840			5,248	5,083	165	_
Adult Social Care & Housing	11,635				11,635	11,635	-	-
Housing Revenue Account (HRA)	19,523		(340)	150	19,333	19,664	12	343
Children & Young People's Trust	19,217				19,217	18,343	904	30
Environment	18,701	525	(328)		18,898	18,748	150	-
Total Council Budgets	75,846	1,555	(668)	150	76,883	76,025	1,231	373

Appendix 5

New Capital Schemes for all Directorates

	2009/10	2010/11	2011/12	Total
New Schemes Summary	Budget £'000	Budget £'000	Budget £'000	Changes £'000
Stratagy & Cayornanaa				
Strategy & Governance	0.5			0.5
Interplan	65			65
Culture & Enterprise				
Hove Town Hall Kitchens	125			125
Tiove rowithan raterions	120			120
Finance & Resources				
Social Care IT Infrastructure Grant	155	84		239
ICT Fund	685			685
Facility				
Environment				
My play space aiming high project	75			75
Refuse Vehicle Replacement	450			450
Total Changes to Budgets	1,555	84	0	1,639

Details of new schemes for all Directorates

Strategy & Governance

Directorate: Strategy & Governance New Project Budget: £65,000

Project Title: Interplan Project Manager Barbara

Green

The performance team acting on behalf of Brighton and Hove Local Strategic Partnership purchased interplan® in Feb 09 from a Brighton based company to cope with the Local Area Agreement and its associated partnership planning and performance management challenges. A few months following this, the Housing Needs and Social Inclusion Service saw the potential benefits of interplan® and recommended the use of the system to meet their planning and performance management requirements.

To maintain the momentum and effectively test the product a second database was established with the Council's Corporate Plan at the top of the structure. However the implications for the organisation resulting from this arrangement make it unsuitable.

The development of multiple planning hierarchies within the interplan® system is required, allowing both plans (LAA and Corporate Plan) to be held within the one system and common actions to be linked to either or both of these top level plans.

This will enable corporate plan, directorate, team, business unit and individual work-plan actions to sit alongside actions that originate from the Local Area Agreement and the Sustainable Community Strategy in the same web based application on officers' desktops. One place to review and update progress on performance against the council and the partnerships key priorities. Providing audit trail and automated progress reporting currently available for the LAA to be expanded to cover all aspects of an officer's work.

Feedback from officers across the partnership using interplan to manage their actions has been very positive. The development proposed will enable us to expand the accountability and clarity of purpose (the golden thread) experienced by LAA users to all aspects council officers' work. ICT are supportive of the product and the approach and have also assisted in the effective negotiations of the discounted cost. The relationship with the local supplier is a good one; this development is proposed at 50% cost in recognition of our commitment to support successful implementation.

Alternative proposals considered all led to unacceptable compromise in the effectiveness of the system either for the partnership or the council depending which high level plan was given priority. The use of a different system to cope with the needs of the Housing Needs and Social Inclusion Service diminished the coverage of the main partnership system.

2009/10	2010/11	2011/12	Total
£	£	£	£
65,000			65,000

This will be funded from LPSA2G monies allocated by the Partnership Board.

Environment

Directorate: Environment New Project Budget: £75,000
Project Title: My play space aiming high Project Manager: Linda Anglin

This project is part of the larger DCSF Playbuilder funded My Play Space project which received capital approval on 23rd April 2009 to develop new or improved play spaces across the city over a two year period.

The aims of the project is to provide more fun and challenging play opportunities for all children and young people, with a particular focus on 8 to 13 years old, and children with disabilities.

The Aiming High funds supplements the Playbuilder funding, and will be aimed at increasing the play space opportunities for children and young people with disabilities, and so will fully support the aims and objectives of the overall My Play Space project.

City Services and CYPT are working in partnership to deliver this project, and put in a successful joint bid for the Aiming High funds and was awarded £75,000 to provide further play opportunities for disabled children. A condition of the grant is that money is to be spent for provision of further play opportunities for disabled children as part of the 'Playbuilder' and 'My Play Space' project in order to support short break provision for children and young perople with disabilities.

To this end, the project team have been working in partnership with the Children's Disability Services and AMAZE charity to ensure the money is focused where it is most needed. The target is to increase provision of play opportunties for children with disabilities at playgrounds where there are good DDA toilet and refreshment provision, as well as other opportunties for play and relaxation for the whole family. Two playgrounds fulfil these requirements, Preston Park and Queens Park as they are the only two which which have the benefit of changing tables in the toilets which is essential for older children with mobility disabilities.

2009/10	2010/11	2011/12	Total
£	£	£	£
75,000			75,000

The capital grant totals £75,000 and must be spent by the end of March 2010. A condition of the grant is that money is to be spent for provision of further play opportunities for disabled children as part of the 'Playbuilder' and 'My Play Space' project in order to support short break provision for children and young people with disabilities.

There are no direct financial implications for the council as all the works will be funded from the grant and as the grant will be used to develop existing sites rather than building new play areas, there will not be any additional maintenance requirements to be funded from ongoing revenue budgets.

Directorate: Environment New Project Budget: £450,000

Project Title: Refuse Vehicle Replacement Project Manager: Simon

Cooper

The service intends to replace 3 refuse vehicles which are beyond their economical life with ones that are multi functional

The new vehicles will be to Euro 5 standard. This will further reduce the emissions for Co2, which is significantly less than the current vehicles, which run on Euro 3.

2009/10	2010/11	2011/12	Total
£	£	£	£
450,000			450,000

The new multi functional vehicles will be funded from the waste infrastructure capital grant. This grant is unringfenced in accordance with Government's policy of ensuring maximum freedoms and flexibility for local government and as such no conditions are attached to the grant.

Culture & Enterprise

Directorate: Culture & Enterprise New Project Budget: £125,000
Project Title: Hove Town Hall Kitchens Project Manager: Adam Bates

The Hove Town Hall kitchen equipment has been condemned on Health and Safety grounds, the equipment is very old and had already exceeded its expected life. As a consequence the venue currently has to hire in equipment to support events and commitments which is proving very expensive and is not a sustainable or a cost effective solution. The operational manager has reviewed the equipment requirements and has deleted any non essential items for replacement.

The proposal for the new kitchen is to replace the current condemned equipment with new allowing us to fulfil our contractual obligations to the Catering Contractors. The new equipment will allow us to service forthcoming events, generating income to our service areas.

2009/10	2010/11	2011/12	Total
£	£	£	£
125,000			125,000

There are no corporate resources to support the purchase of this (all corporate capital funds are committed) and therefore the only options available are to fund outright from the revenue budget or use unsupported borrowing. To fund outright from the revenue budget would cause the service to overspend significantly and is therefore not viable.

For unsupported borrowing the asset would have a life of up to 20 years but should be assumed to have a life of 10 years for repayment purposes. This method of financing is used regularly for purchase of assets such as vehicles (instead of leasing them) and has been used for spend to save schemes.

The service has identified funding to cover the repayment costs through changes to its charging, in particular for the use of these new facilities. The new charges formed part of a paper to Cabinet Member meeting in September. If the service does not replace the equipment the cost of hiring equipment and the potential loss of revenue would be greater than the borrowing costs

Finance & Resources

Directorate: Finance & Resources New Project Budget: £239,000

Project Title: Social Care IT Infrastructure Grant Project Manager: Karen

Guthrie

The Department of Health announced a three-year capital funding programme (2008/09 to 2010/11) to support local authorities to continue to develop their IT infrastructure to support effective information sharing between health and social services.

The White Paper, *our health, our care, our say*, set out a new direction for the whole health and social care system, which was confirmed in the Putting People First concordat. The way services are delivered will be more personalised and fit into people's lives. A key component of this is better integration between health and social services and its potential for efficiencies.

Adult Social Care (ASC) will utilise this grant to develop information systems and technology to support the Personalisation programme, driven by the operational needs of the division. The Information Systems and Technology Board has been established to ensure that this happens.

So far, the board has commissioned a Position Statement which maps out all the key issues and opportunities across ASC that information and systems technology maybe able to support over the next two years. The key workstream at the moment is the development and migration to CareFirst 6 across ASC.

ASC are also focusing on information governance - how we manage and exchange personal data, through a joint project with the CYPT and Corporate ICT. Information governance will be critical if we are to deliver services in a more integrated way with our colleagues in the NHS and across the council. ASC are also supporting a pilot of mobile working within the Transitional Care Team.

	2009/10	2010/11	2011/12	Total
	£	£	£	£
Ī	155,340	83,670		239,010

The total Department of Health grant funding awarded is £239,016 (£75,674 in 08/09, £79,665 in 09/10 and £83,677 for 10/11). Both this and next years budget savings across Adult Social Care are reliant on moving transformation forward and this grant will be fully utilised to support the various IT initiatives.

A Project Manager will be required to lead the IT initiatives and this will be met from within identified resources. Ongoing computer software/maintenance costs will need to be offset against identified efficiency savings from better use of IT systems.

Directorate: Finance & Resources New Project Budget: £685,000

Project Title: ICT Fund Project Manager: Paul Featherstone

The ICT Fund was included in the 2009/10 capital budget approved by Members on 26 February 2009 pending further analysis and proposals of spend. Approval of the ICT Fund spend was agreed at the Central Services Cabinet Member meeting on 12 October 2009. Details of the allocations from the fund can also be found in the Cabinet Member meeting report.

2009/10	2010/11	2011/12	Total
£	£	£	£
685,000			685,000

Appendix 6

CAPITAL BUDGET REPROFILES

Reprofiles Summary	2009/10 Budget £'000	2010/11 Budget £'000	2011/12 Budget £'000	Total Changes £'000
Adult Social Care & Housing (HRA) Leach Court Patching & Boilers	(340)	340		-
St James Car Park (increased cost) to be included in the 2010/11 HRA Capital Budget		335		335
Environment CIVITAS	(328)	328		- - -
Total Changes to Budgets	(668)	1003	0	335

Re-profiles for all Directorates

Adult Social Care & Housing (HRA)

Directorate: Housing (HRA) Approved Budget:

£374,700

Project Title: Leach Court Patching & Boilers Revised Budget:

£35,000 Variation:

£339,700

Due to the length of time required to design and procure this project, it was unlikely that the physical work would be able to be completed before the heating season commenced this financial year. Therefore, the design and procurement will be completed in 2009/10 (£35,000), and the funding allocated for the work (£339,700) will be re-profiled and the work carried out in 2010/11 after the heating season finishes.

Directorate: Housing (HRA)

Project Title: St James Car Park

Revised Budget: £367,000

Variation: £338,000

The original budget was made up of estimates for the flue dillution containment and structural works to the car park as determined by Transport Services. Subsequently a full feasibility and structural survey was carried out by advising engineers who have recommended an enhanced package of works. This includes additional works such as installation of a new gas main, electrical works incorporating new lighting and fire alarms, a replacement flue system, water proofing, as well as full remedial works to the structure required for public safety at a cost of £0.705 million

This year' work will be funded from the existing budget (£367,000) with a small forecast overspend of £2,700, resulting in total costs this year of £369,700.

Due to the additional works identified, the scheme will not complete until next financial year and in order to complete the scheme, funding of £335,300 will be required next year and will form part of the 2010/11 HRA capital programme.

Environment

Directorate: Environment Approved Budget: £1,645,240
Project Title: CIVITAS Revised Budget: £1,317,560
Variation: £327,680

The council was unable to recruit the staff required to deliver projects within the CIVITAS programme until funding for the programme was formally confirmed by the European Commission, and accepted by the council. A different approach would

have resulted in the council being exposed to undue risk. Therefore, once the programme formally started, some projects had delayed starts whilst staff to manage those projects were recruited.

As a result some project costs associated with both outputs and resources (but primarily the latter) have been reprofiled forward by up to three months. Whilst initial spend forecasts were as accurate as possible, some project programmes, and so spend profiles, have also been refined since project managers have been appointed.

Budget Variations and projected overspends for Directorates (over £50,000)

Adult Social Care & Housing (HRA)

Directorate: Housing (HRA) Approved Budget: £0

Project Title: Fire Risk – Building Elements & Design Revised Budget:

£145,000 Variation:

£145,000

Following the Camberwell fire disaster in London earlier in this year, BHCC has set up a fire safety working group to ensure that we have as much information on our High rise and Medium rise blocks across the city as we can to ensure that our blocks of flats have the best safety that we can provide with the resources available.

Digitalised surveys and designs are being procured to provide us with the information that we require. It is of very high and immediate importance to obtain this building information to ensure that we have exact data to improve our citywide fire safety and prevention knowledge in relation to our high and medium rise blocks of flats.

No provision had been made in this financial year to fund the surveys and design outputs. Funds to enable this fire safety project will be taken from the 2009/10 rolling electrical survey works to the sum of £0.145 million.

Directorate: Housing (HRA)

Approved Budget: £0

Project Title: Capital Lift Repairs Revised Budget: £150,000 Variation: £150,000

A number of lifts have failed this year to date and have required minor capital expenditure in order to restore lifts to working operation. The total cost of carrying out these capital works is expected to be £0.150 million for the full financial year.

A contract procurement is underway for a 10 year term contract for a comprehensive lift servicing, maintenance, repair and replacement contract. This is due to commence in the 2010/11 financial year. This new contract will ensure that unplanned works of this nature are minimised. This scheme will be funded from HRA capital contingencies held in reserves.

Directorate: Housing (HRA)

Project Title: Minor Works to empty properties Partnering Contract

es - Revised Budget: £791,000 Variation: £ 291,000

Approved Budget: £500,000

The Empty Properties overspend of £0.291 million is as a result of an increased number of empty properties and higher unit cots than anticipated. A financial recovery plan has been developed and implemented. This includes a more stringent authorisation process focused on cost certainty, cost control, and joint pre-inspections to reduce individual unit costs, and development of an action plan to encourage tenants to vacate properties in a reasonable condition and increase rechargeable works invoiced.

£0.141 million is being funded from a surplus from Cyclical Decorations budget, due to reduced Consultancy fees on the contract, and £0.150 million is being funded from the Water Storage budget, as this contract is now not going to commence until April 2010/11.

Directorate: Housing (HRA)

Project Title: Somerset Point and Wiltshire House
Brickwork Repairs

Approved Budget: £1,155,500

Revised Budget: £1,305,130

Variation: £149,630

The original specification of this project was for a mast climber to be used to access the elevated areas to carry out work. However further investigation meant this option was not feasible and scaffolding has had to be used in place of the mast climber. The mast climber was included in the original project sum at a cost of £218,000, compared to the final alternative of scaffolding at a cost of £357,000. This has caused a project variation of £139,000. In addition to this alteration dummy boiler flues were installed to allow for future replacement of these flues to be Gas Act compliant, and digital TV aerial sets were fitted in preparation for the Digital Switchover.

The £149,628 will be funded from Capital reserves.

Directorate: Housing (HRA)

Project Title: Minor capital works Planned Maintenance

Approved Budget: £250,000

Revised Budget: £310,000

Variation: £60,000

The minor capital works budget is currently forecasting an overspend of £60,000 in respect of a provision for unresolved disputes for future works. These works are currently subject to survey and a resolution will be sought in the current financial year which may result in the council incurring costs. The £60,000 will be funded by Capital Reserves

Estimated slippage of over £50,000 for all Directorates

Directorate: Finance & Resources New Project Budget: £164,500

Project Title: ICT Fund – Value for Project Manager: Paul Featherstone

Money II

The capital programme expenditure for ICT Fund detailed in appendix 4 of this report totals £520,500. This covers the works that can be delivered in the 2009/10 financial period. We are awaiting the outcome of the high level business case for the Value for Money 2 programme, which will identify areas for improvement. These findings are expected by December 2009 which would leave insufficient lead in time for ICT projects to be delivered before the end of the financial year. Therefore the balance of £164,500 should be reported as slippage into the 2010/11 financial period.

2009/10	2010/11	2011/12	Total
£	£	£	£
(164,500)	164,500		0

The ICT Fund was included in the 2009/10 capital budget approved by Members on 26 February 2009 pending further analysis and proposals of spend. Approval of the ICT Fund spend was agreed at the Central Services Cabinet Member meeting on 12 October 2009.

Directorate: Environment New Project Budget: £150,000

Project Title: Downland Initiative Programme Project Manager: Hugo

Blomfield

The main reason for slippage is the announcement of the future South Downs National Park which is likely to bring additional partnership funding opportunities for land owned by the council starting from 1 April 2010. This will be of greater benefit to the Downland Initiative programme than if the capital was to be spent in 2009/10

2009/10	2010/11	2011/12	Total
£	£	£	£
(150,000)	150,000		0

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Directorate: CYPT Project Budget: £4,388,080
Project Title: Devolved capital to schools Project Manager: Martin Hucker

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 current projected outturn figures represent the amount schools are currently anticipated to request by the end of the financial year.

2009/10	2010/11	2011/12	Total
£	£	£	£
(904,380)	904,380		0

AUDIT COMMITTEE

Agenda Item 53

Brighton & Hove City Council

Subject: Risk & Opportunity Management (ROM) Update –

Corporate Risk Register Updated November 2009

Date of Meeting: 15 December 2009

Report of: Director of Finance & Resources

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

E-mail: jackie.algar@brighton-hove.gov.uk

Wards Affected: All

1. SUMMARY AND POLICY CONTEXT:

1.1 The corporate risk register, accompanied by details of management actions to address these risks and opportunities, assist the Audit Committee to fulfil one of its roles set out in the Risk & Opportunity Management (ROM) Strategy 2008-11, i.e. "to annually provide assurance to Cabinet and other Members that the council has an effective system of Risk & Opportunity Management".

2. RECOMMENDATIONS:

2.1 That the Audit Committee consider and provide comments on the Corporate Risk Register 2009 – 10 (Appendix 1).

3. BACKGROUND INFORMATION:

- 3.1.1 The ROM Strategy 2008 2011 includes provision for a six monthly update of the Corporate Risk Register by The Management Team. Review sessions are scheduled in May and November each year.
- 3.2 Each time the Corporate Risk Register alters, it will be reported for information to Cabinet and to the next scheduled Audit Committee.

4. CONSULTATION:

4.1 The ROM Strategy, the ROM programme and the methodology have been the subject of extensive internal consultation and shared with external bodies, e.g. Southdowns NHS Trust and other local authorities.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial Implications:

A number of corporate risks may have potentially significant financial implications for the authority either directly or indirectly. Effective management of these risks ensures that all potential financial impacts are properly considered and that likely financial outcomes are reflected in medium term financial plans and budget strategies, which are

continually updated to reflect changing assumptions and likelihood of risk.

The council's Section 151 Officer also has regard to risk assessments in developing the medium term financial strategy and budget strategy. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer of a local authority to report on the robustness of the estimates included in the budget and the adequacy of the reserves and contingencies for which the budget provides. The Chief Finance Officer must be satisfied that the budget estimates contain adequate provision for those items of expenditure which might reasonably be expected to occur in the financial year

Finance Officer Consulted: Patrick Rice Date: 30 November 2009

5.2 Legal Implications:

There are no legal implications arising directly from this report.

Lawyer Consulted: Oliver Dixon Date: 30 November 2009

5.3 Equalities Implications:

There are no direct implications. The ROM package will address and promote the risk management aspects of equalities.

5.4 Sustainability Implications:

There are no direct implications. The ROM package will address and promote the risk management aspects of sustainability and will be measured by the Audit Commission's Use of Resources assessment.

5.5 Crime & Disorder Implications:

There are no direct implications.

5.6 Risk and Opportunity Management Implications:

The ROM Strategy is focussed on improving the quality and consistency of risk & opportunity management of the council's activities.

5.7 Corporate / Citywide Implications:

There are no direct implications.

SUPPORTING DOCUMENTATION

Appendices:

Corporate Risk Register 2009 – 10 (Updated 11 November 2009). 1.

Background Documents:

- ROM Strategy 2008 -2011. ROM Toolkit (I DO RM). 1.
- 2.

Upward

Brighton & Hove City Council Corporate Risk Register 2009/2010

(Updated by TMT 11 November 2009)

The Risk Scenarios are set in order of highest risk score

Key to Risk & Opportunity Scores:

Likelihood – 1 (Almost Impossible), 2 (Unlikely), 3 (Possible), 4 (Likely), 5 (Almost Certain) **Impact** – 1 (Insignificant), 2 (Minor), 3 (Moderate), 4 (Major), 5 (Catastrophic or Fantastic)

:		Risk Scenario A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives	Potential Consequences of the Risk or Opportunity	(but are not limited to)	Likelihood (L) Score	Impact (I) Score		Officers (Bold denotes Risk Owner, plain text details lead practitioner)	Council Priority
	THE COUNCIL	Projections of reduced funding from central government, combined with reductions in income streams and increased spending due to the prevailing national and economic climate may be greater than anticipated	Overspends within the financial year and higher savings targets may result in unplanned changes to service delivery	*Robustness of budget/adequacy of reserves review *Regular income collection, monitoring and reporting *Contingency planning for falling budgeted investment income *Extensive Value for Money reviews to deliver future savings *Monitor developments in grant distribution and lobby as appropriate	↑	4 ↔	20 RED	Director of Finance & Resources, Head of Strategic Finance & Procurement, Assistant Director Financial Services	2
1	4 EQUAL PAY	The council may receive challenge from trade unions and employees on how it has implemented revised pay schemes to deliver Equal Pay to comply with legislation and ensure an affordable outcome for tax payers	Litigation, challenge and industrial action with impact on service delivery and resources to address issues	* Assessment of financial & legal aspects of proposals * Resources and training allocated to manage Equal Pay grievances * Structured approach to timetabling the servicing of grievances by job groups including escalation to Stage 2 (Member level)	5 ↔	4 ↔	20 RED	Director Strategy & Governance, Head of HR	4, 2, 3

Council priorities:

1 = Protect the environment while growing the economy

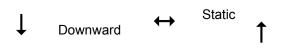
2= Make better use of public money

3= Fair enforcement of the law

4 = Reduce inequality by improving opportunities

5 = Open and effective city leadership

Likelihood & Impact Arrows indicate



(Updated by TMT 11 November 2009)

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Dick No		A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives	Potential Consequences of the Risk or Opportunity	(but are not limited to)		Impact (I) Score			Council Priority
3	LONG TERM FUNDING FOR EDUCATIONAL PREMISES	council is considering, evaluating and pursuing the available options e.g. Building Schools for the Future (BSF), Primary Strategy and the Academy, to secure	does not gain extra investment, the city's	* Cabinet approval for Director of CYPT and Director of Finance & Resources to agree to the submission of BSF Readiness to Deliver submission once requested by Partnership for Schools (PfS) * Falmer Academy full business case (£28M) approved by Cabinet and by PfS *Management structures in place to ensure robust governance arrangements are established for major capital developments (Schools Futures Programme)	5 ↔	4 ↔	20 RED	Director of Children's Services, Schools Futures Project Director	2

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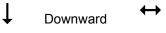
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Dick No		Risk Scenario A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives	Potential Consequences of the Risk or Opportunity	(but are not limited to)	Likelihood (L) Score	Impact (I) Score	J	Officers (Bold denotes Risk Owner, plain text details lead practitioner)	Council Priority
5	BRIGHTON CENTRE	The council will need to retain its partnership with Standard Life Investments in order to deliver a world-class replacement for the current convention centre. A Heads of Terms agreement with Standard Life has instigated a period of feasibility work in 2010 during which time it is hoped that a jointly agreed, financially viable and deliverable scheme can be identified.		*Current levels of commitment are high, but careful management by the council of their relationship with Standard Life will be needed to retain their interest and commitment over the coming months. *Dedicated project management resource and a council Officer Steering Group to work in tandem with Standard Life's Design Team to oversee project and to contribute to the work of the design team in developing a viable scheme which meets the agreed client briefs. *Continue to ensure Standard Life's compliance with the agreed procurement protocol. *Completion of first stage feasibility study to identify and design a viable scheme.	5 ↔	4 ↔	20 RED	Director Culture & Enterprise, Assistant Director Major Projects & Regeneration	1

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Dick No		Risk Scenario A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives	Potential Consequences of the Risk or Opportunity	(but are not limited to)		Impact (I) Score	_	Officers (Bold denotes Risk Owner, plain text details lead practitioner)	Council Priority
9	MAJOR PROJECTS	Loss of confidence in the city as a successful place to do business for investors will have a direct impact on the ability to secure funding to deliver high quality and sustainable developments on key infrastructure sites throughout the city	do not proceed as anticipated, investors may opt to invest elsewhere to the	* Major Projects & Regeneration Division lead and manage on behalf of the council, together with other public and private sector partners, the implementation and delivery of key infrastructure projects. * Performance management of project plans against agreed targets & milestones * Regular meetings with Partners to identify key issues which affect developments in the city and to identify how best and to what extent the council can support continued progression of such developments, e.g. pragmatic extensions of project timetables and review of the 'mix of uses' of project schemes in order to improve the financial viability of developments	4 ↔	4 ↔	16 RED	Director Culture & Enterprise, Assistant Director Major Projects & Regeneration	1

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Likelihood & Impact Arrows indicate



4

Upward

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Risk No.	•	Risk Scenario A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives	Potential Consequences of the Risk or Opportunity	(but are not limited to)	Likelihood (L)				Council Priority
 13	WASTE REDUCTION & DISPOSAL	waste disposal requires sustainable & cost-effective solutions to minimise waste and waste disposal	•		3 ↓	4	AMBER	Director of Environment, Assistant Director City Clean and Parks	

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Dick No		Risk Scenario A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives For the council to meet	Potential Consequences of the Risk or Opportunity Challenge to	(but are not limited to) *New 10 year contract approved	Eikelihood (L)	© Impact (I)	Risk Score L x I Cot indicates RAG rating)	Officers (Bold denotes Risk Owner, plain text details lead practitioner) Director of Adult	Council Priority
1	HOUSING STOCK CONDITION	the Decent Homes Standard by 2013, significant financial investment is required beyond the council's current resources	_	by Cabinet July 09, contract exceeds financial efficiency targets in HRA business plan *Mobilisation programme underway to commence new contract in April 2010 *3 year investment programme under development to maximise investment in meeting DHS during 2013 *Discussions taking place with private funders regarding Local Delivery Vehicle *Options for Prudential borrowing continues to be explored *Council in regular contact with CLG regarding council's application for consent to lease	↑	1		Social Care & Housing Assistant Director Housing Management	4

Council priorities:

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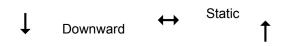
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Upward

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Risk No.	Risk Summary	Risk Scenario A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives	Potential Consequences of the Risk or Opportunity	Control Actions include	Likelihood (L) Score	Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Officers (Bold denotes Risk Owner, plain text details lead practitioner)	Council Priority
11	A DESERVED REPUTATION FOR EXCELLENCE AND A STAFF CULTURE TO DELIVER	The challenge is to improve residents' and partners' understanding of the city council's role and how we deliver outcomes for the city	Improved council reputation for its contribution to the city, increased pride in working for and with the council with continued high performance ratings	*Corporate Communications Strategy informed by research into city profiles and citizens' service needs * Internal analysis of staff compositions, their views and needs *Robust performance indicators around internal and external reputational drivers, including external assessment through Local Area Agreement (LAA) and Comprehensive Area Assessment (CAA) performance reports	4 💠	3 ↔	12 AMBER	Director Strategy & Governance, Head of Corporate Communications	5, 2
15	EFFECTIVE PROCUREMENT PROCESS & CO-ORDINATED ORGANISATION AL COMPLIANCE	Procurement practices are not consistently applied across the organisation (Please note this risk scenario wording has	Value for Money and quality of service delivery may not be optimal, limited assurance on legal	*Implementation of revised corporate procurement strategy to co-ordinate approach *Continually updating the corporate register of contracts to inform procurement spend *Continual improvement,	3 ↓	4 ↔	12 AMBER	Director of Finance & Resources Head of Strategic Finance & Procurement, Procurement Strategy	2

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(Updated by TMT 11 November 2009)

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	A pote or opp needs order the Co	Scenario ential or actual risk cortunity which is to be managed in to better achieve ouncil's objectives Potential Consequer of the Risk Opportunit	or (but are not limited to) y	Likelihood (L) Score	Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)		Council Priority
	(Risk Summary altered from Wordi IMPROVING CONTRACT MANAGEMENT & COMPLIANCE) rathe contra	compliance sustainability and best practice sustainability and bes	•				Manager	
1	THE CITY'S SUSTAINABLE FUTURE work v conso action sustai	ouncil is required to with others to improvement and quality actions take inable future for the nod its community on the community	sustainability priorities: low carbon Brighton & Hove education for sustainable development for all city urban biosphere status *City Sustainability Partnership	3 ↔	4 ↔	12 AMBER	Director Strategy & Governance, Head of Sustainability and Environment	4, 2

Council priorities:

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Risk No.		Risk Scenario A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives	Potential Consequences of the Risk or Opportunity	(but are not limited to)	Likelihood (L) Score	Impact (I) Score	Risk Score L x I (Dot indicates RAG rating)	Officers (Bold denotes Risk Owner, plain text details lead practitioner)	Council Priority
			the long term	*Sustainability Cabinet Committee consider strategic cross cutting issues *New programmes developing for Harvest, Climate Connections and City wide 1010 campaign to generate community engagement					
18	PROTECTION OF VULNERABLE CHILDREN	Impact of unprecedented level of child protection activity on local arrangements to safeguard and protect vulnerable children resulting from national shifts in public perception, policy and practice following high profile cases (Baby P), the Laming Report recommendations and the introduction of the	Increased activity is sustained, including high level of legal and placement costs, impacts on CYPT budget strategy, operational structures and partnership arrangements	*Existing CYPT service provision and detailed operational guidance *Pan Sussex Child Protection & Safeguarding Procedures (multiagency working) *Interventions to strengthen service delivery and manage levels of demand including Value for Money/Impower work streams in the CYPT *Joint working with all partners on the Local Safeguarding Children Board		3 new	12 AMBER	Director of Children & Young People's Trust, Assistant Director Strategic Commissioning & Governance	2

Council priorities:

1 = Protect the environment while growing the economy

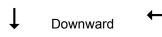
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Upward

Corporate Risk Register 2009/2010 (Updated by TMT 11 November 2009)
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Ī		Risk Summary	Risk Scenario	Potential	Control Actions include			Officers (Bold	>	1
	Risk No.		or opportunity which	Consequences of the Risk or Opportunity	(but are not limited to)	Likelihood (L) Score	Impact (I) Score	 denotes Risk Owner, plain text details lead practitioner)	Council Priority	
			Public Law Outline							

TMT agreed to remove the following Risks from the Corporate Risk Register

Council priorities:

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5 = Open and effective city leadership

Likelihood & Impact Arrows indicate





Upward

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Brighton & Hove City Council Corporate Risk Register 2009/2010

(Updated by TMT 11 November 2009)

The Risk Scenarios are set in order of highest risk score

Key to Risk & Opportunity Scores:

Likelihood – 1 (Almost Impossible), 2 (Unlikely), 3 (Possible), 4 (Likely), 5 (Almost Certain) **Impact** – 1 (Insignificant), 2 (Minor), 3 (Moderate), 4 (Major), 5 (Catastrophic or Fantastic)

Risk No. Now removed		Risk Scenario (CORPORATE RISK REMOVED) A potential or actual risk or opportunity which needs to be managed in order to better achieve the Council's objectives	Reason for removal from the Corporate Risk Register
7 Now removed	BUSINESS CONTINUITY CAPACITY	The council's ability to withstand short term or long term interruption to the delivery of its services will need to be effective and enable continual delivery of quality services. This involves pro-active measures to protect against interruption and effective planning, which is regularly tested & reviewed, to enable recovery to normal operating levels in the shortest time possible and at the best cost	Progress has been made in embedding business continuity arrangements across the council. The risk will continue to receive overview and management by officers within the Environment Directorate and will be considered for the directorate risk register
Now removed	CIVIL RESILIENCE	The Civil Contingencies Act 2004 requires Councils, as Category 1 Responders, to put in place prevention, mitigation or response plans for emergencies, which must be well documented and tested. The Council has in place its own Major Incident Response Guidance, which has just been reviewed, and working in partnership with the Sussex Resilience Forum, is developing emergency-specific plans, in line with the strategy set by the Community Risk Register. The impact on the Council in an emergency is as yet unknown	Existing Emergency Planning arrangements and links with the Sussex Resilience Forum have continued and have been effective to date. The risk will continue to receive overview and management by officers within the Environment Directorate and will be considered for the directorate risk register
10 Now removed	SUSTAINABLE FUNDING FOR IMPROVING SOCIAL ISSUES	In a city where there are challenging social issues and problems, much of the preventative and intervention work is funded by short-term initiative or grant monies and this is further complicated now by the Area Based Grant funding. There is a need to improve the integration of both initiative and mainstream financial planning across priority areas and major partnerships (e.g. LAA, PSB, CDRP, CYPT) to ensure work is sustained to enable longer term measurable improvement	The council's financial strategy and arrangements has resulted in mainstream consideration of impacts on income to fund services from grant funds, in particular the introduction of Area Based Grant funding

Council priorities:

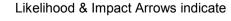
1 = Protect the environment while growing the economy

2= Make better use of public money

3= Fair enforcement of the law

4 = Reduce inequality by improving opportunities

5 = Open and effective city leadership







Upward

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