

AUDIT COMMITTEE
THURSDAY 2 FEBRUARY 2012 AT 14:00
ESTON CITY LEARNING CENTRE, NORMANBY ROAD, SOUTH BANK



CONTACT

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24 January 2012

CIRCULATION

Councillors I Jeffrey (Chair) Hogg (Vice Chair), Ayre, Harrison, S Jeffrey, Kay, Massey,
G Nightingale, I Nightingale, Ovens, Suthers, Thomson and Williams
Mr C Monson (Independent Member)
Councillor Pickthall (For Information)
Director of Corporate Resources
The Press [except for Confidential item(s)]

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23 November 2011

AUDIT COMMITTEE

A meeting of the Audit Committee was held on 23 November 2011.

PRESENT Councillor I Jeffrey (Chair);
Councillors S Jeffrey, Kay, G Nightingale,
I Nightingale, Suthers, Thomson and Williams.
Mr Monson (Independent Member)

OFFICIALS D Boville, H Fowler, R Frankland, G Gittins,
M Kirkham, H Pearce, J Sampson, J Sinclair,
K Smith, L Snowball J Weston and K Wilson.

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors Ayre, Hogg and Ovens.

MINUTES

RESOLVED that the Minutes of the meeting held on 29 September 2011 be confirmed and signed by the Chair as a correct record.

33. **RISK MANAGEMENT – DIRECTOR OF CORPORATE RESOURCES**

The Director of Corporate Resources presented a report on the approach and application of Risk Management in the Corporate Resources Directorate, together with a summary position on the key risks facing the Directorate.

A Debate took place on the issues contained in the report. Some of the matters raised and discussed included:

- More care needed to be taken in preserving the Council's archives before the Town Hall closes.
- It took a long time to set up the shared Internal Audit Service with Middlesbrough Council. This needed to be kept in mind when considering other shared services. The Director of Corporate Resources advised that the creation of the shared Internal Audit Service was very opportunistic, any other shared services would be planned fully before implementation.
- The level of borrowing used to fund the Capital Programme was a lot higher than other Authorities. 24% of the Council's net revenue budget would be committed to funding borrowing and other costs arising from existing and new capital projects.

At this point in the meeting, the Chair asked that the press and public be excluded to allow the consideration of the confidential appendix to the report, whereupon it was:

AUDIT COMMITTEE

23 November 2011

RESOLVED that the press and public be excluded from the meeting on the grounds that the following item contained exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

Following the discussion, the press and public were invited back to the meeting.

RESOLVED that:

1. The report be noted.
2. Information on the implementation or non-implementation of Internal Audit Reports be brought to a future Audit Committee.

34. **QUARTERLY PROGRESS REPORT ON RISK MANAGEMENT**

The Director of Corporate Resources presented a report updating the Audit Committee on the current contents of the Corporate Risk Register.

A Debate took place on the issues contained in the report. Some of the matters raised and discussed included:

- Items rated 15 or lower were not included on the risk register. The Risk and Business Continuity Manager advised that items rated 15 or lower can remain on the register if requested by the Executive Management Team (EMT), those not on the Corporate Risk Register would be placed on a register at Directorate level.
- The costs associated with applying for the Council's Priority School Building Programme. The Head of Corporate Financial Services advised that if the Council's bid for the funding was successful, a full report would be available before the Council committed itself.

At this point in the meeting, the Chair asked that the press and public be excluded to allow the consideration of the confidential appendix to the report, whereupon it was:

RESOLVED that the press and public be excluded from the meeting on the grounds that the following item contained exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

Following the discussion, the press and public were invited back to the meeting.

RESOLVED that:

1. The report be noted.
2. Information on when the risk was added be included on the Corporate Risk Register.
3. The Adult and Children's Services Directorate review activity around Corporate Risk ACS9 in light of the Equality and Human

23 November 2011

Rights Commission's 'Close to Home' report.

4. The Cabinet Member for Community Protection and the Director of Area Management be made aware of Audit Committee's concerns around Corporate Risk AM3.
5. A report on the criteria for making Corporate Risks private, and what, if any, involvement Elected Members have in the process, be brought to a future Audit Committee meeting.

35. **ANNUAL AUDIT LETTER**

Members were asked to consider the Audit Commission's Annual Audit Letter to Redcar & Cleveland Borough Council 2010/11, which summarised the findings from its 2010/11 audit. The letter included messages arising from the audit of the Council's financial statements and the results of the work the Audit Commission had undertaken to assess the Council's arrangements to secure value for money in its use of resources.

A Debate took place on the issues contained in the report. Some of the matters raised and discussed included:

- The issues contained in the report had been known for some time. The Chief External Auditor advised that the Local Authority had worked to make changes, but there was a need to ensure outcomes were delivered.
- There was a need for the Council to decide what its priorities would be for the future.
- Graphs and trends should be utilised more in future Audit Committee reports.

RESOLVED that:

1. The report be noted.
2. The Audit Committee accept the recommendations included in the Annual Audit Letter.
3. Presentations be arranged with the political groups on the issues raised in the Annual Audit letter.
4. The Annual Audit Letter be referred to Cabinet for discussion.

36. **AUDIT COMMITTEE QUARTERLY UPDATE**

Members were asked to consider a report from the Audit Commission on the progress of the external audit.

RESOLVED that:

1. The report be noted.
2. A report be drafted to answer the questions asked in appendix 2.
3. The outcomes of the audit workshop and action plan be raised with the Director of Corporate Resources.

AUDIT COMMITTEE

23 November 2011

At this point in the meeting, Members agreed to adjourn the remaining business and reconvene at a later date.

AUDIT COMMITTEE

22 December 2011

AUDIT COMMITTEE

A reconvened meeting of the Audit Committee was held on 22 December 2011.

PRESENT Councillor I Jeffrey (Chair);
Councillors Harrison, Hogg, Massey,
G Nightingale, I Nightingale, Ovens and Suthers.

OFFICIALS D Boville, H Fowler, J Sampson, K Smith and
J Weston.

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors Ayre, S Jeffrey, Kay, Thomson and Williams.

DECLARATIONS OF INTEREST

Councillor I Jeffrey declared a personal interest in Agenda Item 10, Annual Schools Position Report, as a Governor of Pathways school.

Councillor G Nightingale declared a personal interest in Agenda Item 10, Annual Schools Position Report, as a Governor of Nunthorpe school.

Councillor M Ovens declared a personal interest in Agenda Item 10, Annual Schools Position Report, as a Governor of Pathways school.

37. **QUARTERLY REPORT ON THE INTERNAL AUDIT PLAN**

The Director of Corporate Resources presented a report on the progress made in delivering the 2011/12 Audit Plan.

A debate took place on the issues contained in the report. Some of the matters raised and discussed included:

- A Member requested definitions of the priority recommendations.
- Members were dismayed to see that internal auditors were experiencing difficulties in arranging meetings with auditees. It was important for the Council to understand the importance of the audit process, and that it was everyone's responsibility.

RESOLVED that:

1. The report be noted.
2. A report on the new approach to internal audit, along with details of the new opinions, be brought to a future Audit Committee meeting.
3. A report on how the internal audit service would identify new services, markets and clients be brought to a future Audit Committee meeting.

22 December 2011

38. **QUARTERLY PROGRESS REPORT ON FINANCIAL MANAGEMENT**

The Director of Corporate Resources presented a report updating the Audit Committee on the current financial situation of the Council.

A debate took place on the issues contained in the report. Some of the matters raised and discussed included:

- Members requested information on who was ultimately responsible for approving debt write off.
- Who had the authority to re-phase the capital programme? The Head of Corporate Financial Services advised that the decision would be made by full Council.
- Would the Council receive less external funding than anticipated and what impact would this have on the finances? The Financial Governance Manager advised that the Council was aware of funding changes and could build them in to the programme.
- Could the Council eventually sell too many of its assets? The Head of Corporate Financial Services advised that the Council was very property and asset rich and were receiving good prices. The Council did take advice on which assets to sell.

RESOLVED that:

1. The report be noted.
2. Information be circulated to Committee Members on which debts had been written off.

39. **ANNUAL SCHOOLS POSITION REPORT**

The Director of Corporate Resources presented a report on schools financial performance over the previous three years.

A debate took place on the issues contained in the report. Some of the matters raised and discussed included:

- Members commented that graphs would be more helpful than tables in future reports.
- The Department for Education proposals to set a range for the ratio of funding between primary and secondary aged weighted pupil unit (AWPU) could potentially be very serious for the Borough. The Directorate Accountant advised that the proposals would adversely affect secondary schools.

RESOLVED that:

1. The report be noted.
2. Further information on the deficit position at Pathways school be brought to a future Audit Committee meeting.

AUDIT COMMITTEE

22 December 2011

40. **AUDIT COMMITTEE WORK PROGRAMME**

The Director of Corporate Resources presented a report detailing the reports that the Audit Committee was due to consider over the next financial year – **NOTED**

41. **ACTIONS FROM PREVIOUS AUDIT COMMITTEES**

The Director of Corporate Resources presented an update on progress made against the actions outstanding from the previous meeting held on 29 September 2011.

RESOLVED that:

1. The report be noted.
2. The frequency of audits in schools be circulated to Audit Members.



Member Report

Review of Risk Management Procedures and Key Service Risks in the Area Management Directorate

Public

To: Audit Committee **Date:** 17th January 2012
From: Director of Area Management **Decision:** Committee
Portfolio: Corporate Resources
Theme: Business Improvement
Ward(s): All

1. Purpose or Report

- 1.1 To report on the approach and application of Risk Management in the Area Management Directorate, together with a summary position on the key risks facing the Directorate.

2. What will this achieve?

- 2.1 Effective risk management underpins the achievement of all the Council's objectives. Risk Management is about managing our risks in order to create an environment of 'no surprises'. Through effective risk management within the Directorate, we will be in a stronger position to deliver our key service priorities and business objectives.

3. How will it happen and how will we tell people about it?

- 3.1 The management of risk is conducted through the Council's Risk Management framework applying the risk management policies and procedures that exist within the Council to support the identification and assessment of service risks as they emerge.
- 3.2 Risk Management is an integral part of good management practice. The framework is available to all staff in Area Management through the Council's intranet. Advice and guidance is also provided by the Council's Corporate Risk Management Team and Directorate Risk Champion. In Area Management, risk management workshops have been delivered for all 2nd and 3rd tier managers to provide further assurance that the framework for risk management is understood and properly applied. Reinforcement is given as part of the review process each quarter.

4 Risk Management in Area Management during 2010/11

- 4.1 Area Management applies the Council's corporate risk management framework in the way in which it categorises the significance of risk, using both the Council's risk profiling and risk matrix and requiring managers to assess both the impact and likelihood of an event or issue occurring and through simple multiplication of these two factors calculate a risk "score"; the higher the score the greater the risk. In turn, the Council's risk framework has in place risk thresholds which determine the appropriate management level within the organisation at which the risk is to be managed (see Table below).

Hierarchy of Risks		
<u>Responsibility</u>	<u>Risk Profile Score</u>	<u>Register</u>
Executive Management Team	Rating 16+	Corporate Risk Register
Directorate Management Team	Rating 9 - 15	Directorate Risk Register
Service Manager	Rating 8 or less	Service Risk Register
Team Manager	Rating 8 or less	Team Register

- 4.2 The Directorate has in place a system of **internal controls, risk management processes and governance arrangements** to ensure that risks to service delivery are identified promptly and acted upon:

4.2.1 Partnership/Commissioned Services – Governance Arrangements

When working with Partners in the delivery and commissioning of services, it is essential that these Partnerships have in place appropriate governance arrangements to support their work and identify areas of risk.

In Area Management, these Partnerships range from companies delivering highways maintenance, street lighting and waste processing through to the PCT, Police and Fire Brigade.

4.2.2 Outcomes from Inspections, Assessments and Peer Reviews

The Directorate ensures that all requirements arising from annual assessments and inspections, where there may be risks to effective delivery of services, are responded to.

4.2.3 Financial Monitoring and Reporting

Monthly reporting to the Directorate's Management Team (DMT) and Service Management Teams of capital and revenue spending including out-turn projections enable adverse spending variances to be identified and actions taken.

4.2.4 **Internal Audit Reports (Tees Valley Audit & Assurance Services)**

The Tees Valley Audit & Assurance Services undertakes an annual programme audits determined in conjunction with the Directorate. The plan for 2012/2013 is currently under development. There is an emphasis placed on those key activities where there is greatest potential risk to service delivery and performance.

As part of our monthly Performance Report (see 4.2.6), we monitor those outstanding audit recommendations for the Directorate, to ensure that risks are addressed.

As of Dec 2011, the completion rate is 83.78%. We continue to work to improve this. In particular, agreeing the appropriate evidence to support closure.

4.2.5 **Health and Safety Risk Assessments and Audits**

As part of the Council's Health and Safety Reporting framework, Area Management review the reports from the Council's Health and Safety Unit sharing information on key areas of health and safety in the workplace including:

Recorded and Reportable Accidents
Violence to Staff
Health and Safety Audits of establishments

All DMT and other Senior Management Teams have Health and Safety as a standing item to ensure risks in the workplace are brought forward: for example, the need for a Manual Handling training course. This was funded by Area Management to ensure that all of our Business Support employees working in the Post Room have manual handling training.

4.2.6 **Performance Reporting**

The monthly reporting to the Executive Management Team's Performance Panel includes the requirement to report the Directorate's key concerns and issues, as part of the Council's "no surprises" approach to performance management. In recent months the Directorate has reported:

Process Backlogs for Blue Badges
Area Governance
Saltburn Bathing Water quality
Criminal damage and racist graffiti
Winter Maintenance arrangements

The latter resulted in a successful Risk Management Fund Bid. This was to provide equipment to assist in the event of another bad Winter, which would meet identified needs from the last year's event.

4.3 **Corporate Risks**

Following identification of a risk from one or more risk "triggers", where that risk scores highly, the risk may become part of the Council's Corporate Risk Register. All such risks are monitored regularly to ensure that the necessary controls to mitigate the impact or likelihood of an event happening are in place.

The Area Management Directorate Management Team (AMT) reviews those items held on the Council's Corporate Risk Register on a quarterly basis before being presented to the Executive Management Team (EMT) and Audit Committee, in accordance with the Council's Risk Reporting timeline.

Where there are noticeable delays to actions required to control a particular risk, the Directorate will provide an explanation for this. The quarterly review also provides an opportunity to report any new or emerging risks that have been identified through the Directorate's internal control processes.

The current risks held on the Council's Corporate Risk Register are detailed below providing a brief explanation of the nature of the risk for each and what is being done to manage this.

4.3.1 Emergency Incident

The risk profile considers the service impact due to emergency incident.

Recent actions include:

Safety Advisory Group Training

Borough Emergency Centre Familiarisation

Borough Emergency Centre Exercise

Rest Centre Training

Major Live Play COMAH Exercise on Wilton (Lotte Chemicals)

Rest Centre Exercise

Elected Members Briefing

Out of Hours Contact Exercise

These actions are constantly reviewed as officers and Elected Members require regular training to allow for various different scenarios to be played out.

4.3.2 Stronger Communities

The risk of not achieving the improvements in the quality of life in disadvantaged neighbourhoods.

Recent actions include:

Area Governance arrangements being reviewed to reflect Neighbourhood Working / Partnership structures and enable enhanced community involvement. This included the revised structure of Area Governance planned for implementation in the new year.

Further review of a range of service areas developed to contribute to MTFP corporate savings programme. For example, Phase 2 Library Service review has been completed to identify further saving and increased income.

4.3.3 Saltburn Water Quality

Based on previous years bathing water sample results it was predicted by the Environment Agency that Saltburn's bathing water quality would be classified as 'poor' under the new Directive which becomes effective in 2015. If this occurred, the Authority would have to put up signs advising the public not to swim in the sea. Since Saltburn is our most popular tourist resort this potential scenario has obvious economic implications and reputational risks for the Authority.

Recent actions have included:

Bathing Water Management Group was established in 2011.

Key controls:

1. Major investment to improve sewerage assets owned by Northumbrian Water.
 2. Farm visits by Environment Agency to monitor and improve sewerage arrangements.
 3. Investigation of other possible sources of contamination.
 4. Ongoing sampling of streams and watercourses to monitor water quality.
- Water quality improved last bathing season and has met current standard, on all but, two occasions.

4.3.4 **Corporate Risk Register (Private)**

Attached at appendix A are details of those remaining Directorate risks held on the Council's Corporate Risk Register which are exempt from publication under Schedule 12A of the Local Government Act 1972.

4.4 Directorate Risk Register

Where a risk is categorised as less significant but still requiring management oversight, such a risk is recorded as either part of the Directorate's Risk Register or Service/Team Risk Register. The Area Management Directorate recognises the importance of assessing the level of risks involved in achieving service, team and individual objectives on a continued and regular basis.

Service and Team Plans are expected to be completed by the end of April, following approval of the Council's Our Plan (2012-17) and this process will include a comprehensive profiling of risk ensuring that service risks are aligned with the delivery of the Directorate's key service priorities. This will then enable the Directorate to completely re-refresh its Directorate Risk Register. There has been a number of restructures, which will also influence the risks perceived. To date, most of the risks identified either have required action at a corporate level or are managed at a service level.

From the service planning work undertaken thus far, the key service risks that have been identified include:

4.4.1 **Response to the Jackson Review – impact on insurance claims**

The risk of not meeting deadlines for insurance claims will be increased due to proposed changes in legislation. The Jackson review of the claims handling process and deadlines is proposing to reduce time given from 21 days to 14 days for the initial acknowledgement and to reduce other deadlines in a similar way. One of the biggest pressures is speedy access to inspection reports and supporting documents.

Recent actions have included:

To address the impact of the Jackson review, a working group has been set up to address the issues raised.

4.4.2 Police & Crime Commissioners and Police & Crime Panels

The Police Reform & Social Responsibility Act received Royal Assent on 15 September 2011 and provides for the election of a Police & Crime Commissioner (PCC) for all provincial Police forces in England & Wales, and for the establishment of a Police & Crime Panel (PCP) to scrutinise the functions of the Commissioner. The first PCCs will now be elected on **15 November 2012** (not in May 2012, as originally proposed) and the previous proposal for a term limit of two terms has been removed. The first term will run to May 2016, and terms will be for four years thereafter.

The PCC will be the recipient of all funding related to policing and crime reduction. How this money is allocated is a matter for the PCC (except in relation to a small number of specific grants) and the Chief Constable may provide professional advice and recommendations.

In addition to the reciprocal duties of PCCs and Community Safety Partnerships (CSPs) to co-operate with each other, a PCC will have other wider responsibilities than those relating solely to the police force, namely:

- (a) a wider responsibility for the delivery of community safety and the ability to bring together CSPs at the force level;
- (b) the ability to make crime and disorder reduction grants within their force area;
- (c) the ability to enter into collaboration agreements between other PCCs and police forces that benefit their force area and deliver better value for money and enhanced policing capabilities;
- (d) a wider responsibility for the enhancement of the delivery of criminal justice in their area;
- (e) the power currently invested in the Home Secretary, to give formal approval to mergers of CSPs, but only when requested by all the CSPs concerned, and signed off by all the 'responsible authorities' on each CSP involved (i.e. Police, Council, Fire Authority, PCT and Probation Trust).

The establishment of PCCs is intended to allow the Home Office to withdraw from day-to-day policing matters, and allowing local communities to hold the police to account.

As the largest election district covering the force area, Stockton-on-Tees Borough Council will be the PCC Election organiser. It is also proposed that Stockton will act as lead authority for the Cleveland Police & Crime Panel. Finally, it is proposed that the Cleveland Police & Crime Panel and the Durham & Darlington Police & Crime Panel extend reciprocal observer arrangements, i.e. one or more members of each panel will be invited to sit as an observer at the meetings of the other Panel.

Current police authorities will oversee effective transition to the Office of the PPC and creation of Police and Crime Panels. They will therefore need to:

- (a) plan and deliver an effective transition programme whilst recognising that the effective delivery of police authority and force business continues to remain paramount;
- (b) be mindful of the continuing ongoing challenges facing police authorities and the police service, particularly the current difficult financial context, to continue secure value for money and financial efficiencies.

Discussions are underway between lead officers for community safety across the four Cleveland Boroughs with a view to ensuring an orderly transition to the new arrangement.

The risks involved include:

The PCC will become the recipient of all relevant Home Office funding allocations currently allocated to Local Authorities as accountable bodies for CSPs, including the Community Safety Fund and the Home Office element grant for the Drugs Intervention Programme (DIP) funding which removes control of this funding. However, the PCC is ultimately accountable to the public for the management of the Police Fund. The PCC and Chief Constable share a responsibility to provide effective management of the policing budget and to secure value for money on behalf of the public that they both serve. The Chief Constable has day-to-day responsibility for managing allocated budgets after they have been approved by the PCC, consistent with the objectives set by the PCC.

The PCC advised by the Chief Finance Officer must be satisfied that the Chief Constable exercises financial responsibilities in a proper and effective manner. When significant changes of policy that have a financial implication are envisaged, the PCC should consult the Chief Constable and seek their professional advice as to how such changes could be effectively implemented. When the Chief Constable intends to spend significant sums of their budget the approval of the PCC should be sought.

These arrangements are categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk further.

4.4.4 **Service Review Delivery**

As the current Service Reviews begin their final consultation, risk profiles are being developed to reflect the final reports and impact assessments so as to ensure that the objectives are achieved.

Action: The risk of not completing the current Service Reviews is being managed through the monitoring of the implementation plans.

4.4.5 **Winter Resilience**

The risk of not preparing for winter resilience is major disruption to front-line service delivery such as refuse collection services, transport for children, young people and adults through inability to access streets due to adverse weather. This can lead to residents being unable to access schools for their children, places of employment, public transport due to road conditions in the estate roads. There will be a risk of major damage to the Council's reputation leading to complaints from the public and negative media coverage. It will affect our Partners in that they will have difficulty in accessing estate roads that can adversely affect response rates of the emergency services (Fire / Ambulance / Police) potentially leading to fatalities.

Action: To extend the core service and to provide smaller and more flexible options suitable for residential areas, the Transport and Environment Manager

has identified appropriate equipment to deliver this along with suitable planning and prioritisation of locations to be treated.

The Council's existing flat-bed pick-up vehicles can be used more flexibly with the addition of front ploughs with a hopper and spreader on the rear. This combination works well in other authorities and will be a valuable back-up for our mainline gritting vehicles. The plough and hopper / spreader can be easily removed and stored when not in use.

Three of these vehicles will be converted initially providing cover in each of the neighbourhood areas where they will be deployed to local priority streets etc. Central coordination will also ensure that all three vehicles could be deployed for example to the East Cleveland area should conditions in one part of the borough be more severe, demanding more resources.

An additional tow-along salt spreader will further increase our spreading capabilities on estate roads and car-parks improving access for our residents and emergency services.

This will be a very visible and instant display of action by the Council during periods of adverse weather

4.5 Other Risk Processes

4.5.1 **Regulatory Services**

This service area assesses the risk of premises and environments to establish the work programme for each year. For example, food safety inspections are conducted based on a framework of inspection criteria which sets the level of risk to be applied.

4.5.2 **Project Risk**

Where the Directorate is undertaking a major service Project, Review or other initiative, Managers are advised to use the approved project management techniques of the Council i.e. the Council's In Control Project Management framework, which includes the use of a Risk Log.

5. **What are the risks involved?**

5.1 It is essential that the Area Management Directorate has in place effective risk management processes and robust internal controls to manage risks and threats to the organisation. If risks are not managed the Directorate may not be able to achieve financial resilience, prevent damage to our reputation and if good governance is not in place then this could lead to legal challenges. If the Directorate is unable to promote these areas then the risk and internal control environment could be compromised.

6 **How will it deliver our priorities and improve our performance?**

6.1 Risk Management supports the Council's overall Business Improvement priority theme in Our Plan.

6.2 Risk Management is also a vital part of good management. These processes ensure that the Council can protect the Council's resources by having the right procedures in place to support and improve the Council's performance by identifying risks which may prevent us achieving delivery of our priorities. It also allows the organisation to be innovative and take risks but understand the level of risk the Council is being exposed to.

7. What will it cost?

7.1 There are no specific costs associated with this report.

8. Are there any legal considerations?

8.1 There are no specific legal considerations relevant to this report.

9. Who have we talked to about it?

9.1 The Director of Area Management, Heads of Service and their Management Teams are aware of these issues and have contributed to this Report.

The Council's Risk Officer and Chair and Members of the Risk and Internal Control Group are also aware of the progress made by the Area Management in managing its service risks. A nominated officer attends the Risk and Internal Control Group meetings.

The Cabinet Members for the relevant portfolio holders and those connected at ward level are also aware of the key service issues and associated risks.

The Council's Executive Management Team and Audit Committee have received quarterly progress reports on the Directorate's Corporate Risks.

10. What options have been considered?

10.1 There are no specific options for the Audit Committee to consider in this Report other than noting the approaches taken by Area Management in managing the key Corporate and Directorate risks outlined in this Report.

11. Recommendations

That the Audit Committee should:

1. Note and approve the application by the Directorate of Area Management of the Council's Risk Management Framework in managing its risks and the progress that has been made
2. Note and approve the Directorate's intention on completion of their Service Plans to undertake a major re-refreshing of its Directorate Risk Register to reflect and align it to the key service priorities and actions in the document.

12. Further information

Appendix A – Corporate Risks (Private)

13. Background Papers

None.

14. Contact Officer

Name: Elaine Smith

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Member Report

Risk Management

Public

To: Audit Committee **Date:** 2nd February 2012
From: Director of Corporate Resources **Decision:** Committee
Portfolio: Corporate Resources
Theme: Business Improvement
Ward(s): All

1. What is the purpose of this report?

- 1.1 The purpose of the report is to update Audit Committee as to the current contents of the Corporate Risk Register following its quarterly review in December 2011.

2. How will it happen and how will we tell people about it?

2.1 Background Information

Risk profiling is a systematic risk identification and evaluation process designed to provide an organisation with a clear focus on the major risk issues it faces. The profile identifies measures to assist in ensuring those risks are managed; appropriate opportunities are taken advantage of; targets are achieved and service delivery improved.

The Corporate Risk Register review is undertaken on a quarterly basis and the results of this are reported to the Executive Management Team for moderation, challenge and review before being reported to Audit Committee. The profile reflects the substantial changes and challenges the Council faces in its ambitious agenda for the future. This report contains the findings of the latest review completed in December 2011.

2.2 Corporate Risk Register (Public)

A major review of the Corporate Risk Register is undertaken on a quarterly basis throughout the year (March, June, September and December) and attached at appendix A is the December 2011 review of the public Corporate Risk Register.

The latest robust review confirms that the Corporate Risk Register identifies and details the major risks facing the Council. However within individual areas issues evolve and develop and new or amended actions have been recommended to ensure successful management of these issues.

2.3 Corporate Risk Register (Private)

Attached at appendix B is the private Corporate Risk Register which details those risks which are exempt from publication under Schedule 12A of the Local Government Act 1972.

3.0 What are the risks involved?

3.1 The Council must maintain its good management practices identified within its strategies throughout the changing times ahead. From a risk perspective we need to look at the organisations financial resilience, effectiveness and efficiency with a particular focus on financial issues. This will involve devising new and innovative ways of delivering our services which may include shared arrangements, outsourcing both with private and public entities or the voluntary sector. The Council must ensure that the governance arrangements around these ventures are robust with appropriate monitoring arrangements in place.

5.0 How will it deliver our priorities and improve our performance?

5.1 By ensuring that the major risks facing the Council are actively managed Risk Management seeks to ensure that we are aware of the risks being taken and have the correct control measures in place to manage those risks. By doing this we should be able to get things right first time and make service improvements which will assist in the delivery of our corporate priorities. Risk Management will allow us to be innovative and take risks whilst understanding the level of risk that the Council is being exposed to.

6.0 What will it cost?

6.1 Individual risks may have an associated cost for which provision will be made in the relevant budget.

7.0 Are there any legal considerations?

7.1 There are no specific legal considerations relevant to this report.

8.0 Who have we talked to about it?

8.1 The Director of Corporate Resources, Cabinet Member for Corporate Resources and the Risk and Internal Control Group are made aware of progress being made in Risk Management.

9.0 What options have been considered?

9.1 N/A

10.0 Recommendations

10.1 That the Audit Committee should:

1. Note the progress being made on the Corporate Risks.
2. Make any recommendations considered appropriate, arising from deliberations on this report.

11.0 Further information

11.1 Appendix A – Corporate Risk Register (Public Draft)
Appendix B – Corporate Risk Register (Private Draft)

12.0 Background Papers

12.1 None.

13.0 Contact Officer

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CORPORATE RISK REGISTER – DECEMBER 2011 (Draft)Public
Updated by Heather Pearce, Risk and Business Continuity Manager

Appendix A

Impact	RISK					Impact	OPPORTUNITY						
	Catastrophic	5						Maximum	5				
	Critical	4						Major	4				
	Significant	3						Moderate	3				
	Insignificant	2						Minor	2				
	Negligible	1						Minimal	1				

Risk Rating Matrix	1	2	3	4	5
	Zero to Very Low	Unlikely	Likely	Very Likely	Almost Certain
	Likelihood				

Opportunity Rating Matrix	1	2	3	4	5
	Zero to Very Low	Unlikely	Likely	Very Likely	Almost Certain
	Likelihood				

RR No	Unique Ref No	DESCRIPTION OF RISK	INITIAL EVALUATION (No controls in place)		RISK RATING (L * I)	CURRENT CONTROL MEASURES (Existing)	RESIDUAL EVALUATION (After existing controls)		REVISED RISK RATING (L * I)	ADDITIONAL CONTROLS REQUIRED (To be implemented)	Responsible Officer	Private or Public
			LIKELIHOOD (1-5)	IMPACT (1-5)			LIKELIHOOD (1-5)	IMPACT (1-5)				

PRIORITY 1 – ATTRACT, CREATE AND GROW BUSINESSES IN THE BOROUGH

REG7	<u>Redcar Seafront Improvements (Sept 2010)</u> Delivery of the Redcar Seafront Improvement.	3	4	12	<ul style="list-style-type: none"> Established the Regeneration Centre to deal with day to day enquiries. Weekly communication meeting co-ordinating all seafront communications. Wilmot Dixon appointed to contract the Vertical Pier took possession of site on 3rd October 2011. Multi projects Coordinator managing interfaces between all construction activity on site to minimise impact. 	3	3	9	<ul style="list-style-type: none"> Establish cross directorate working group to consider issues related communications, funding, future management of the seafront facilities and development of creative industries sector. Identify areas of concern and develop action plan and lines of responsibility. Meet on a weekly basis to manage actions. 	Ian Wardle	PUBLIC
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					<ul style="list-style-type: none"> • Capital Projects Delivery Team Leader delivery and appointed NEC Project Manager managing the onsite construction activity • Weekly Team Leader meetings to review progress of seafront schemes, weekly meetings with construction team identifying issues to resolve over short/medium term. • Monthly Project Surgeries to discuss in depth progress of the scheme. • With the Design Team we have undertaken and continue to undertake look ahead programming to establish areas of design which impact on construction programme. • Interrogate all compensation events thoroughly. • Review publicity, procurement output and non-compliance issues associated with ERDF and develop action plan. • Reviewed VE options and interrogated in detail compensation events. Report to DMT on budget overspends to be presented in November 2011. • Wrote to EC Harris to highlight concerns that EC Harris NEC Project 			<ul style="list-style-type: none"> • Review of sub division of the units in The Hub to address market changes in demand for space. • Implement action plan following review of publicity, procurement and outputs related to ERDF projects, monitor and review impact. • Start to develop lettings policy for Hub. • Step up communications associated with the Vertical Pier after Christmas. • Present lighting proposals for the Vertical Pier to Director for sign off. • Implement more detailed Changed Control process to ensure designers do not accidentally issue information which changes the design and results in greater costs. • Identify potential levels of overspend and seek authority to increase budgets accordingly after reviewing VE options. 		Ian Wardle	PUBLIC
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Manager is not acting in best interest.

PRIORITY 2 – HELP UNEMPLOYED RESIDENTS INTO LASTING WORK

	REG6	<p><u>Economic Conditions (including Corus and Wilton International (Jun 2010))</u></p> <p>Responding to the Economic Downturn in Regeneration and partial mothballing of Corus Teesside Cast Products and potential redundancies on the Wilton International Site.</p>	5	5	25	<ul style="list-style-type: none"> • SSSI now re-employing 1000 staff, interviews taken place first batch of inductions commenced 9th October 2011. • Government has endorsed Enterprise Zone for key sites within Teesside this includes business rate holidays and tax incentives through capital allowances. • RGF Round 1 Bids to support job creation and skills training for SSI, Lottie and Boulby approved. • Agreed principles associated with 3-8years masterplan projects. Recovery plan integral part of Regeneration Masterplan. • Economic snapshot and Economic Outlookers being prepared on a monthly basis. • Economic snapshot and Economic Outlooks being prepared on a monthly basis. • Housing assistance information on our website. 	3	4	12	<ul style="list-style-type: none"> • SSSI investing 30M in coal injection plant which will improve efficiency of blast furnace and this will hopefully provide greater security for steel making on Teesside. • RCBC currently investigating use of Tax Incremental Financing, working with TVU to try and instigate lobbying of Government to secure this solution (2011). • £3.5M Investment Fund approved, criteria currently being established for supporting SME's (2011). • Commence development of more detailed plans for remaining 3-8 year projects from the Regeneration masterplan identifying programme costs, outputs and deliverability. Build programme 61 	Ian Wardle	PUBLIC
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						<ul style="list-style-type: none"> • Seeking to accelerate inward investment opportunities. • Keep under review the response to the recession. • Continue to update content on web pages. • Monitor and respond to impact of government spending review. • Secured option agreement on Prairies Site from Corus. • Complete Tesco Eco Store at Eston with creation of 450 jobs in Winter 2012. • Identified total number of Public Sector jobs at risk. • Undertaken A66 Highway Improvements to facilitate business expansion. 				works in Service Plans (2011).	Ian Wardle	PUBLIC
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PRIORITY 3 – HELP PEOPLE TO STOP SMOKING AND REDUCE THE HARM CAUSED BY ALCOHOL AND BEING OVERWEIGHT

ACS7	<u>Health Inequalities (Jun 2010)</u> Health Inequalities (as measured by all age all-cause mortality) between people who live in the most disadvantaged areas of the Borough and the most affluent widen as a result of the economic situation.	4	4	16	<ul style="list-style-type: none"> • We will give more children a healthy start in life. The proportion of women locally who breast feed their babies is increasing, but is still significantly lower than the national average. Implementation of Infant Feeding Policy will help us to increase the rate of breast feeding and support healthy weaning. 	3	4	12	<ul style="list-style-type: none"> • Agreement of the Alcohol Harm Reduction Strategy (Nov 2011). To be presented to Cabinet in January 2012. • Transfer of Health Improvements to Redcar and Cleveland (Apr 2013) 	Barbara Shaw	PUBLIC
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- The proportion of pregnant women who smoke is significantly higher than the national average. We will reduce the incidence of smoking in pregnancy by developing clear pathways between maternity services and stop smoking services to reduce the incidence of smoking in pregnancy.
- In some areas of the Borough, it has been estimated that more than half the population are smokers, which is more than double the national prevalence. The comprehensive Tobacco Control Strategy will include a wide range of actions that will help us tackle this key issue, including the implementation of a tariff for Stop Smoking Services to promote the volume of quality services, with payments linked to outcomes.
- Rates of obesity for both children and adults are higher than national rates and rising. Almost 10% of children and 25.3% of adults locally are estimated to be obese. Activities to reverse this trend include ensuring all schools maintain Healthy Schools status, encouraging the minimum amount of

						<ul style="list-style-type: none"> A local action plan to address Childhood Injuries will be implemented informed by a Childhood Injury Needs Assessment. 						Barbara Shaw	PUBLIC
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PRIORITY 7 – INSPIRE OUR YOUNG PEOPLE TO DO THEIR BEST AT SCHOOL SO THEY ACHIEVE THEIR POTENTIAL BOTH EDUCATIONALLY AND PERSONALLY AND GET THE JOBS WE ARE CREATING

	REG/A CS6	<p><u>Strategic Investment in Schools (Mar 2011)</u></p> <p>The impact of the withdrawal of BSF funding on the secondary and special school estate has resulted in the following risks arising:-</p> <p>High levels of backlog maintenance in schools which could lead to problems with mechanical and electrical systems which could result in the closure of individual schools.</p> <p>School reorganisation plans that no longer have funding.</p> <p>Special schools that are 40% under area for the number of pupils that they currently have on role without capital to address the issue.</p> <p>Extensive numbers of surplus places in some secondary schools without capital to address the issue.</p>	5	4	20	<ul style="list-style-type: none"> Careful planning of spending of DfE grant monies is helping to alleviate condition issues. Close contact is being maintained with schools to ensure that any problems which are likely to result in closure are being addressed. We are also taking the opportunity to lever new funding into the Authority to deal with surplus places and backlog maintenance issues. The Council has bid for funding through Priority School Building Programme. This is a PFI to replace up to 100 secondary schools or equivalent primary schools which are in worst condition in the country over the next 5 years. The schools submitted to the DfE for consideration were Laurence Jackson Secondary School, Nunthorpe Secondary School, Handale Primary 	4	4	16	<ul style="list-style-type: none"> As part of the indicative programme of works, provision is being made to help schools that are in need of high levels of capital investment in order to ensure that they can remain safe, wind and water tight and able to deliver high standards of education. This programme will be adjusted depending on the outcome of bids for the Priority School Building Programme (Dec 2011). 		Ian Wardle	PUBLIC
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						<p>School and Westgarth Primary School.</p> <ul style="list-style-type: none"> Confirmation of future years grant funding from the DfE is awaited and indicative programme of works for 2012-13 and 2012-14 is being drawn up based on the level of grant received in 2011-12 (circa £3.5 millions). 						Ian Wardle	PUBLIC
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PRIORITY 8 – GET AS MANY YOUNG ADULTS AS POSSIBLE INTO EDUCATION, TRAINING AND WORK

	ACS11/ CEX4	<p><u>NEETS (Mar 2011)</u></p> <p>Ineffective delivery puts at risk the ability to continuously decrease the percentage of young people who are Not in Education, Employment and Training by failing to discharge our statutory duty to deliver a Careers Education, Information, Advice and Guidance Service to Redcar and Cleveland residents.</p>	5	4	20	<ul style="list-style-type: none"> Use of the allocated budget for the purpose of delivering an effective Careers Education, Information and Guidance Strategy in schools and colleges to reduce the numbers of young people who are at risk of becoming NEET, and an effective NEET reduction Strategy to focus on the needs of those who are. Use of allocated budget for the purpose of delivering a Raising the Participation Age Strategy to address the issues of young people post 16 who find themselves not in education, employment or work. Effective budget monitoring and efficiency reviews to ensure that the allocated resources are being used to obtain the highest impact. 	4	3	12	<ul style="list-style-type: none"> Revisit and refresh the NEET Reduction Strategy to include developments in relation to the ELITE project, apprenticeship programme and learning from the Managers' Conference in June 2011 (Sep 2011). Negotiate a robust agreement with Jobcentre Plus to ensure that with the advent of new Jobcentre Plus programmes both organisations work collaboratively with 18 and 19 year olds, which is where the greatest numbers of NEETs are found (Jul 2011). 		Barbara Shaw	PUBLIC
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PRIORITY 9 – HELP OUR COMMUNITIES TO BECOME SELF SUFFICIENT

	AM2	<p><u>Stronger Communities (Dec 2010)</u></p> <p>Stronger Communities: The risk of not achieving the improvements in the quality of life in disadvantaged neighbourhoods.</p>	4	4	16	<ul style="list-style-type: none"> • Area Committees - existing process. • Restructure into neighbourhood teams. • Suite of indicators to monitor impact and quality of life perceptions and service indicators. • Phase 1 of the Library Service restructure is now complete. • Reviewed the range of service areas developed to contribute to the MTFP corporate savings programme. • Phase 2 Library Service restructure completed to identify further savings and increased income. • Completed a table of performance indicators to be used at performance clinics which are outcome based which fits with the Neighbourhood Planning activity. 	3	4	12	<ul style="list-style-type: none"> • Area Governance arrangements being reviewed to reflect Neighbourhood Working/Partnership structures and enable enhanced community involvement. To be reported to Cabinet in November 2011 (Nov 2011). • The revised structure of Area Governance planned implementation in the new year (Mar 2012). 	Simon Dale	PUBLIC
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PRIORITY 13 – REDUCE OUR CARBON FOOTPRINT

	REG12/ AM011	<p><u>Utility Prices (Jun 2011)</u></p> <p>A recent research report by Ofgem has identified that commercial electricity prices are likely to rise between 94% and 115%, and gas prices between 64% and 139% by 2020.</p>	5	4	20	<ul style="list-style-type: none"> • Monitoring and reporting procedures are in place. • Energy budget are calculated annually and although these can be revised any increases 	5	4	20	<ul style="list-style-type: none"> • Implementation of programme of energy efficiency measures as identified in Salix Funding Bid and the Carbon 	Ian Wardle	PUBLIC
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		<p>This will have a significant impact on budgets – the potential impact of such increases is calculated to be in the region of an additional 4m per annum spent on utilities.</p> <p>Recent unrest in the Middles East, particularly Libya as well as the earthquake and tsunami in Japan have made the global markets very unstable and prices may be set to rise significantly more than already forecasted.</p>				<p>incurred will not be accounted for.</p> <ul style="list-style-type: none"> Intensive work is continuing to reduce energy consumption across the Council's portfolio, however increases in the cost of energy mean that consumption reductions will not necessarily result in cost savings. 				<p>Management Plan, ensuring that sufficient human resources are available to carry out tasks identified (Jan 2009 – Dec 2014).</p> <ul style="list-style-type: none"> Ensure Corporate Finance are aware of concerns and provide for increased in future budgets. 	Ian Wardle	PUBLIC
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PRIORITY 14 – PREPARE TO TAKE ON OUR NEW 'PUBLIC HEALTH' ROLE FROM THE NHS

ACS12	<p><u>Transfer of Public Health (Jun 2011)</u></p> <p>Public Health responsibilities will be transferred from NHS with RCBC unable to fully capitalise on the potential for whole Council action to tackle the wider determinants of health that play a critical role in the health of our citizens.</p>	4	4	1 6	<ul style="list-style-type: none"> Health and Wellbeing Board established, linking into the Council, PCT, GP Commissioning Consortia and LSP structures. Project Plan developed to oversee smooth transfer of responsibilities. Project Board in place and thematic leads agreed. "Open Book" approach to determination of baseline budgets agreed across Tees, Head of Finance to sign off baseline budget in line with National process. Regional letter agreed to detail issues within the process to determine baseline budgets. 	3	4	12	<ul style="list-style-type: none"> Lobby regionally on inclusion of non-recurrent PCT funding (Ongoing). Sign off indicative budgets for 2012/13 (Feb 2012). Establishment of "Provider Forum" (Dec 2011). Develop the core products from the Health and Wellbeing Board. Complete the Health and Wellbeing Strategy (Jun 2012). Develop the performance framework to support the transition and maximise the health premium (Mar 2012). 	Barbara Shaw	PUBLIC
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						<ul style="list-style-type: none"> • Membership of Regional Group Membership of Regional Group (Public Health Transition Advisory Group) overseeing the process across the North East. • Established the “Engagement Forum” ensuring linkages with the emerging Neighbourhood structure in RCBC. • Completed the JSNA, including the involvement of the Voluntary and Community Sector. 					Barbara Shaw	PUBLIC
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PRIORITY 15 – DELIVER OUR ‘TOP 5 BUSINESS IMPROVEMENT PROJECTS’

	CR/FS1	<p><u>Council Tax Benefits (Sep 2011)</u></p> <p>The transfe of the Council Tac Benefits administration to Local Authorities to resource, whilst reducing the current financial provisions by some 10%.</p>	5	4	20	<ul style="list-style-type: none"> • Redcar and Cleveland are taking an active role in the consultation exercise on the future scheme as a Council and also through the Tees Valley (SRG) and the wider North East region (Anec). • Briefed EMT and Portfolio holder (Norman Pickthall) on implications of the replacement scheme and the Council's response to the consultation • Participated in meetings with other authorities to agree a regional response to consultation. • Submitted consultation response to the Departments for Communities and Local 	5	4	20	<ul style="list-style-type: none"> • Continued attendance of regional group to benchmark approach to localised scheme (Ongoing). • DCLG advise that Model Scheme to be released in February 2012 this will require a comprehensive risk assessment to be undertaken at a local level and riogionally. A further briefing will be provided to EMT and the portfolio holder at this point (Feb 2012). • Financial impact of 	Richard Frankland/John Sampson	PUBLIC
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						Government in accordance with timescales.				<p>new scheme (on the Council) to be gauged following scheme detail release and provision to be made in the budgeting process (Apr 2012).</p> <ul style="list-style-type: none"> • Decision to be made on scheme provider. Outsourced or in-house(Apr 2012). • If outsourcing is an option, an appropriate Agreement needs to be put in place which contains robust financial contingency and indemnity for scheme maladministration (Jul 2012). • If an in house option is preferred staffing structures will need to be formalised and agreed with stakeholders (Jul 2012). • Consideration to be given to an IT provider for Local scheme administration (Jul 2012). 	Richard Frankland/John Sampson	PUBLIC
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CR16	<p><u>Internet (Jun 2011)</u></p> <p>Some information on the Council's internet site is out of date which could result in members of the public, members and staff utilising out of date information leading to wrong advice being given, and incorrect procedures being followed which could have a reputational and financial impact on the Council.</p>	5	4	20	<ul style="list-style-type: none"> • Departmental staff keeping information up to date. • Website design presented to EMT for approval. • Website presented to each Directorate DMT. 	5	4	20	<ul style="list-style-type: none"> • Discussions to take place with representatives of directorates (Jan 2012). • Retention periods to be set for documents to coincide with Government/ Authority guidelines (Jan 2012). • Back office system to be implemented as part of the re-design to set review dates and notify contributors of information becoming out of date (Jan 2012). 	Richard Frankland	PUBLIC
CR/FS6	<p><u>Procurement Efficiencies and Joint Working (Sep 2011)</u></p> <p>To ensure that the Council is co-ordinated in its response to increasing the savings attributable to sound procurement arrangements, both individually and working across the Tees Valley and the region</p>	4	4	16	<ul style="list-style-type: none"> • Establishment of key budget work-streams within the Council. • Monthly reporting of existing Contracts Register to Departmental representatives. • Established monthly meeting of Tees Valley Heads of Procurement. Membership of North East Procurement Organisation (NEPO). Regular meeting of Collaboration North East Group – 12 regional authorities Heads of Procurement and the Director of NEPO. 	4	4	16	<ul style="list-style-type: none"> • Develop and maintain a Council Procurement Plan through Management Teams to support co-ordinated forward planning, identification and action to achieve efficiency savings through procurement activity (Jan 2012). • Identify mechanisms to share Contract Registers and Procurement Plans with internal Management 	Richard Frankland/John Sampson	PUBLIC

										Teams, external partners and other public bodies (Jan 2012).		
										<ul style="list-style-type: none"> Identify mechanism to record efficiency savings from procurement activity (Dec 2011). 		
	CR/FS2	<p><u>Resource Review and Business Rates (Sep 2011)</u></p> <p>The transfer of the local Business Rates yield to Local Authorities as a means to fund services, subject to adequate grant top up arrangements through a new formula funding process.</p>	5	4	20	<ul style="list-style-type: none"> Redcar & Cleveland are taking an active role in the consultation exercise on the future of the scheme as a Council and also through the Tees Valley (SRG) and the wider North East region (Anec) The scheme for the relocation of the Business Rates to the Council and the associated grant top up once we have got into the detailed proposals tends to be not as harsh as first thought The true impact will become clearer post the outcome of the consultation. It is anticipated that the outcome of the consultation will be available February 2012 which will give further insight into the position of the future funding of the Council. 	4	4	16	<ul style="list-style-type: none"> The results of the consultation have now been released, with the localisation of Business Rates being confirmed as returning to Council's from 2012/14 financial year. An analysis of the proposed arrangements is on-going to determine the impact for Redcar and Cleveland (Jan 2012). 	Richard Frankland/ John Sampson	PUBLIC

	AM1	<p><u>Emergency Incident (Sep 2008)</u></p> <p>Service impact due to emergency incident.</p>	4	5	20	<ul style="list-style-type: none"> • Business Impact Assessments. • Business Continuity Plans and battle boxes. • Major incident plan. • Staff training and development. • Standard operating procedures, call cascade etc. • Training exercises & subsequently learning (every 2 months). • Reciprocal arrangements with other agencies/bodies. • Local Resilience Forum. • Building premise inspections. • Corporate, Directorate and Service Area Risk Registers. • Emergency Planning Officers. • Procurement process identifies requirement for BCPs for suppliers etc. • Keeping abreast of changes in legislation. • EMT provided with a briefing paper on Emergency Planning and an updated emergency call out numbers list circulated. • Basic Emergency Planning training delivered to EMT and HoS. (October 30th 2009). • Borough Emergency Centre set up exercise (September 2009). 	4	4	16	<ul style="list-style-type: none"> • Safety Advisory Group Training (Jan 2012). • Borough Emergency Centre Familiarisation (Jan 2012). • Borough Emergency Centre Exercise (Mar 2012). • Rest Centre Training (Dec & Mar 2012) • Major Live Play COMAH Exercise on Wilton (Lotte Chemicals) (Feb 2012). • Rest Centre Exercise (Jul 2012). • Elected Members Briefing (Nov 2012). • Out of hours Contact Exercise (Jan 2012). 	Simon Dale	PUBLIC
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						<p>Council buildings March 2011.</p> <ul style="list-style-type: none"> • Borough Emergency Centre (BEC) relocated to Conference Room 1 and 2 Redcar and Cleveland House (December 2011). • Major Live Play COMAH Exercise on Wilton Huntsman Polyurethanes (20th September 2011). • Rest Centre Training took place on 22nd September 2011. • Rest Centre Exercise 6th December 2011. • Elected Members Briefing on Emergency Planning 22nd November 2011. 					Simon Dale	PUBLIC
REG15	<p><u>Specialist Support (Sep 2011)</u></p> <p>Loss of specialise support for key projects as a result of staff vacancies and budget cuts including the loss of senior officers from specialist roles.</p>	5	4	20	<ul style="list-style-type: none"> • Review and reduction in work programme. • Review of Directorate work programme management. • Consideration of realignment of functions and team structures. • Rationalisation of performance indicators. • Evaluated internal options through redeployment list as part of the on-going process. 	4	4	16	<ul style="list-style-type: none"> • Recruit to vacant posts (Jan 2012) 	Ian Wardle	PUBLIC	

	REG10	<p><u>Homelessness Referrals (Jun 2011)</u></p> <p>There is a steady increase in the number of residents presenting to the Housing Advice and Information Service as a result of changes in economic conditions, resulting in impending evictions and mortgage repossessions.</p>	5	4	20	<ul style="list-style-type: none"> • Team in place to support referrals, providing advice and guidance to residents. • Citizens Advice Bureau contract in place to support mortgage advice and repossessions (currently only 2 days a week until September, to be extended for remainder of year and may increase to 3 days). • Advice information issued to all households threatened with repossession, including "mortgage rescue advice" appointments with CAB. • Homestop advice service in place to support out of hours service requests (out of hours call for emergency accommodation are taken by Coast and Country Housing and are referred onto the on call officer to respond. • Additional hours being provided by two officers – equivalent to one additional fte. • CAB contract extended for further six months 	4	4	16	<ul style="list-style-type: none"> • Management review of referrals and workload on a monthly (Monthly). • Trend analysis of year on year changes (Monthly). • Consider employment of further officer to fill vacant post if pattern continues (Dec 2011). 	Ian Wardle	PUBLIC
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	CR/FS3	<p><u>Delivering a balanced 2011/12 Budget (Sep 2011)</u></p> <p>To ensure tha the busines reviews targets and other budget pressures in the 2011/12 budgets are delivered to give a balanced year end outturn position.</p>	4	5	20	<ul style="list-style-type: none"> • Structured approach to the budget setting and budget control are in operation with all participants fully aware of their roles and responsibilities in spending to budget. • Budget monitoring updates are presented to Cabinet each month. • Cabinet receive quarterly updates on the achievement of the £15.1M business service reviews. • Overspending directorates have developed financial recovery plans to alleviate the financial situation. Budget workstreams have been created to identify cross cutting efficiency measures, which report regularly to EMT. • All recurring in year spending pressures are being accounted for in the 2012/2013 is budget build. • The current outturn forecast as at Period 5 is for an overspend of £859,000, all directorates are tasked with reducing spend where possible to achieve a balanced end of year position. 	3	4	12	<ul style="list-style-type: none"> • The current outturnj forecast as at Period 7 is for an overspend of £514,000, all directorates are tasked with reducing spend where possible to achieve a balanced end of year position (Mar 2012). 	Richard Frankland/John Sampson	PUBLIC
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	CR/FS4	<p><u>A Sustainable and Balanced MTFP (Sep 2011)</u></p> <p>To ensure that the MTFP accounts for known unavoidable service pressures and presents a balanced position across the 5 years of the medium term.</p>	4	4	16	<ul style="list-style-type: none"> • Taking an early programmed approach to the MTFP and its build, ensuring all pressures are discussed and aired and all solutions are enacted. • The MTFP is programmed to set a realistic balanced budget across all 5 years and have in place a full range of solutions that will allow savings to be made over and above the required amount. • Regular challenge sessions and validation of the assumptions and the budget therein are ongoing and will continue across the next 6 months. • The budget is being built from a bottom up and top down approach to ensure that all aspects of cost centres and strategic options are one. • A balanced position on the budget is being worked on to bring a final report into Cabinet and Council on 13th December - the on-going work will ensure that the solutions map is set out for the medium term. 	3	4	12	<ul style="list-style-type: none"> • A balanced position on the budget has been set for both 2012/13 and for 2013/14, with a sustainable budget plan being set in place for the whole of the medium term. • The key risk in the budget is its delivery to plan (Jun 2012). 	Richard Frankland/ John Sampson	PUBLIC
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	AM7	<p><u>Saltburn Water Quality (Dec 2011)</u></p> <p>Based on previous years bathing water sample results it was predicted by the Environment Agency that Saltburn's bathing water quality would be classified as 'poor' under the new Directive which becomes effective in 2015. If this occurred, the Authority would have to put up signs advising the public not to swim in the sea. Since Saltburn is our most popular tourist resort this potential scenario has obvious economic implications and reputational risk for the Authority.</p>	3	4	12	<ul style="list-style-type: none"> • Saltburn Bathing Water Management Group was established in 2011. • Major investment to improve sewerage assets owned by Northumbria Water. • Farm visits by Environment Agency to monitor and improve sewerage arrangements. • Investigation of other possible sources of contamination. • Ongoing sampling of streams and watercourses to monitor water quality. • Water quality has improved this bathing season and has met current standard on all but two occasions. • Communications group in place to support the Saltburn Bathing Water Management Group. 	3	4	12	<ul style="list-style-type: none"> • Group meetings scheduled – to be convened by Environment Agency (Dominic Shepherd) (Mar 2012). 	Simon Dale	PUBLIC
	CR14/C PP3	<p><u>External Regulation and Inspection (Sep 2010)</u></p> <p>Failure to be prepared for a new external regulation and inspection regime leading to an inadequate or inappropriate response, a decline in the Council's reputation and problems recruiting and retaining high calibre staff, as well as a negative impact on partnership relationships.</p>	5	4	20	<ul style="list-style-type: none"> • Responsibility for corporate inspection work embedded within Corporate Policy and Performance Team. • Awareness raising conducted through the LSP, thematic groups, DMT's, Cabinet and Scrutiny. • Implemented the Improvement Programme Review. 	3	4	12	<ul style="list-style-type: none"> • Maintain regular liaison with Audit Commission on the future of regulation, audit and inspection post 2012 (Ongoing). • Consider establishing a Value for Money Conclusion Project based upon the works done for the 	Richard Frankland	PUBLIC

						<ul style="list-style-type: none"> • Achievements log introduced to gather evidence for inspections. • Twice yearly Manager Conference established. • The forward programme of service inspections is included in monthly EMT Performance Reports. • Audit Commission Guidance on VfM Conclusion published end November 2010. 				<ul style="list-style-type: none"> • Use of Resources assessment (Sept 2011). • Undertake Adult Services Peer Challenge (Mar 2012). <p>Prepare project plan leading to Peer Challenge (Jan 2012).</p> <ul style="list-style-type: none"> • Undertake Corporate Peer Challenge (Oct 2012). 	Richard Frankland	PUBLIC
CR/FS8	<p><u>Resourcing Capital Investments (Sep 2011)</u></p> <p>To ensure that the capital investment programme is prudentially resourced to achieve our ambitious plans, but is affordable across the medium term.</p>	4	4	16	<ul style="list-style-type: none"> • Challenge expenditure needs and options around the funding arrangements are progressed on a monthly basis, to ensure that an appropriate balance is maintained between affordability and ambition. • All Capital spending takes place within the Council's Capital Investment Strategy and agreed prudential indicators. • Cabinet receive monthly reports on progress in delivering the Capital Programme. • Capital Programme Board meets monthly to review PID's for new capital schemes. • Revenue implications of prudential borrowing and the running costs of capital projects are 	3	3	9	<ul style="list-style-type: none"> • The Capital Budget for medium term has been set with the revenue consequences of the borrowing needs being factored into the revenue plans – the prudential indicators will be set in February 2012 (Mar 2011). 	Richard Frankland/ John Sampson	PUBLIC	

						<p>accounted for in the budget build and MTFP.</p> <ul style="list-style-type: none"> Budget for 2012/13 and MTFP in December identify and provide funding for the financial consequences of the capital programme. 					Richard Frankland/ PUBLIC
CR17	<p><u>Workforce Capacity and Resilience (Jun 2011)</u></p> <p>The reduction in staffing establishment may provide issues around capacity to deliver services and loss of key skills. A high percentage of staff live in our Borough and our actions have potential negative impacts on the local economy and worklessness.</p>	4	4	16	<ul style="list-style-type: none"> Internal job market to retain staff and reduce exit costs. Hold posts open. Limited agency staff use Workforce Planning to identify critical skills and potential gaps and action on how to deal with gaps. Retrain/Succession planning to mitigate loss of skills and gaps. Non approval of exit costs where cost not recouped within 18 months. 	3	3	9	<ul style="list-style-type: none"> Strong redeployment procedures in place (Ongoing). Career break policy to be implanted (Jan 2012). Flexible working hours (Ongoing). Purchase annual leave (Jan 2012). 	Richard Frankland	PUBLIC
CR13/F S6	<p><u>Fraud (Dec 2010)</u></p> <p>To ensure that the subject of fraud is managed across the Council and that instances of fraud are eradicated.</p>	3	4	12	<ul style="list-style-type: none"> Updated policies and communication arrangements are in place regarding the awareness and likelihood for fraud within the Council. Updated Anti Fraud and Corruption Policy Approved by Audit Committee. 	3	3	9	<ul style="list-style-type: none"> Develop a Fraud Action Plan (Jan 2012). Fraud awareness articles/messages via payslips, newsletters etc (Mar 2012). Internal Audit carry out fraud awareness sessions (May 2012). Fraud and Loss self assessment leading to increased focus on risk areas within 	Richard Frankland	PUBLIC

						been asked to cost their involvement in some of the things identified.						
CR15/C PP02	<p><u>Government and Emerging Legislation (Jun 2011)</u></p> <p>Failure to keep abreast of emerging legislation and being unable to contribute to the development of national policies by the Government, resulting in the Council not delivering new or changed duties and leading to a decline in the Council's reputation and problems recruiting and retaining high calibre staff as well as negative impact on partnership relationships.</p>	5	4	20	<ul style="list-style-type: none"> • Horizon scanning through regular visits to Central Government websites and the use of syndicate feeds from a variety of Local Government websites. • Consultation responses schedule created – draft responses are verified at EMT prior to submission and signed off by Lead Members/Cabinet. • Regular reporting of emerging policy, legislation and consultation to the LSP Board and the Tees Valley Chief Executive's Group. • Weekly reporting of emerging policy, legislation and consultation to EMT and Elected Members (with publication on the intranet). • Weekly Briefing Notes collated on shared drive. • Policy Briefs and consultation responses schedules reported weekly to EMT. 	2	3	6			Richard Frankland	PUBLIC



Member Report

Period 8 2011/12 – Corporate Financial Position

Public

To: Audit Committee **Date:** 02 February 2012

From: Director of Corporate Resources **Decision:** For Information

Portfolio: Corporate Resources

Outcome: Business Improvement

Ward(s): All

1 What is the purpose of this report?

- 1.1 The aim of the report is to set out the current financial situation for the Council. The Council faces a significant financial challenge this year to balance its budget. Reductions in the amount of central government funding and budget pressures have meant that savings of £15m need to be delivered this year.

2 What is the background to this report?

- 2.1 The figures and estimates within this report have been compiled from the primary accounting records of the Council with the detailed directorate and programme monitoring information resulting from discussions with both management teams and monitoring groups.
- 2.2 The Revenue Budget for the Council for 2011/12 was set on the 1 March 2011 with a budget requirement for the year of £124.8m. General reserves for 2011/12 are £7.0m based on an in-year contribution of £0.7m.
- 2.3 The Capital Programme approved by the Council in March 2011 totalled £154.4m over the five years of the medium term.
- 2.4 The revised Treasury Management Code issued in November 2011, suggests that Members should be informed of Treasury Management activities at least twice a year, but preferably quarterly. This aspect of the report therefore ensures this Council is embracing Best Practice in accordance with CIPFA's recommendations.
- 2.5 Given the Government's current austerity programme and the size of the cuts in funding for 2011/12 and the remainder of the Our Money period, the Council's financial position is being reported on a monthly basis. This will allow decisions to be made that ensure the organisation is financially agile to respond to its circumstances.
- 2.6 A particular challenge relates to the financial position within the Adult & Children's directorate, where increased service demand and underdeveloped financial governance arrangements has led to the directorate struggling to stay within

budget. Additional support is being provided to the directorate to improve this position, including a fundamental review of all financial management and budgetary control procedures.

3 Who will this benefit and how?

- 3.1 The Revenue Budget supports the medium term financial plan and sets out the Council's day to day use of resources to support service delivery.
- 3.2 The Capital Programme is the Council's investment plan for the next five years in its service provision through the use of fixed assets. It has a range of implications for the Council's short and long term finances and cash-flow projections.
- 3.3 Treasury Management is the lending and borrowing of the Council's short term cash balances and the process for longer term funding of the capital programme, both of which impact on the revenue budget through interest earned and interest payable. As such the activities on treasury management are therefore intertwined within the performance of the Council on both revenue and capital budgets.
- 3.4 This report shows the Council's forecasted outturn based on the first eight months (end of November) position for the 2011/2012 financial year on all three areas and explains the main reasons behind any variations from the set budget or strategy.
- 3.5 There are obvious dependencies between the three key areas and it is only by a consideration of all three, and the relevant funding streams involved, that the impact on the Council's financial position through the year and at the year end can be assessed and appreciated.

4 Who have we consulted?

- 4.1 Accountants within financial services have discussed operational plans with service managers on a regular basis. This information is then summarised and reported to Directorate Management teams on a monthly basis.
- 4.2 The Directors of each service area present their financial position for the Council to the Executive Management Team on a monthly basis, and keeps the Director and portfolio holder for Corporate Resources updated on a regular basis.
- 4.3 The treasury management strategy is discussed on a regular basis by the financial governance manager with our external advisors, Sector Treasury Services Ltd.
- 4.4 The Scrutiny Board and Audit Committee receive regular monthly financial information so that they can scrutinise and challenge the Council's performance

5 How will it deliver our priorities and improve our performance?

- 5.1 The Revenue, Capital and Treasury budgets and how these are managed, in terms of actual spend, is integral to how the Council will achieve its key priorities as stated within Our Plan.
- 5.2 In particular these actions will impact on the business improvement key priority as use of resources is a key consideration within all of the top five projects.
- 5.3 Finance is an integral element of improved performance. As such, financial

information and the ability to use resources are identified and highlighted within the Council's corporate performance framework and Scrutiny Board processes.

6 What are the resource implications (financial, human resources)?

REVENUE BUDGET

6.1 The actual forecast position at the end of November 2011 (period 8) on the revenue budget, by Directorate, is shown below:

Year end forecast position for Revenue Budget 2011/12

6.2 The table below outlines the 2011/12 year end forecasted budget position for revenue. This represents the forecast budget outturn as estimated by budget managers across the directorates. Significant financial pressures are being experienced across the Council but especially in Adult & Children's Services. These pressures are being largely offset by allocations from corporate budgets. A minor overspend of £0.473m is forecast in total. This is not a sustainable position, as a large element of the offsetting savings is fortuitous and of a temporary nature, for example, the savings on Treasury Management due to the delay in the need to borrow and continuing low interest rates. Area Management is also facing in year pressures and will need to identify further efficiencies to break even, although its financial position is improving month on month.

6.3 The revised budget has changed since period 7 for the allocation of additional capital charge budgets and allocations from earmarked reserves. Appendix 1 shows the changes in the budget since the original policies were approved by full Council in March 2011, and those requiring Cabinet approval as part of this report.

Directorates	Profiled Budget to Date £000	Actual Spend to Date £000	Revised Budget Full Year £000	Projected Outturn Full Year £000	Variance Full Year £000	Status (RAG)
Chief Executive/ Corporate Resources	-9,254	-	5,708	5,581	-127	G
Adult & Children's	48,976	49,422	73,046	79,170	6,124	R
Area Management	17,338	18,285	33,178	33,557	379	A
Regeneration	6,719	6,709	13,072	12,924	-148	G
Corporate Allocations	6,820	3,422	-250	-6,005	-5,755	G
Total	70,599	65,511	124,754	125,227	473	R

6.4 **Adults and Children's (overspend of £6.124m).** The directorate faces spending pressures ongoing from the last financial year, the main areas being residential placements, direct payments, care at home, fostering, home to school transport and a shortfall against savings targets. These pressures were offset partially in year by one-off income and one off actions. Additional resources of £5.1m have been allocated in the 2011/12 budget to mitigate the previous pressure on fostering and other service areas. This still left a requirement for the service to manage its resources carefully, achieve further in year efficiencies and manage demand for its services to achieve its allocated budget.

6.5 Since the budget was originally set further issues have arisen which have added to the financial challenge facing the directorate. These are mainly due to reductions in

specific grant income used to fund the directorate's services, an increase in the occupancy levels in residential children's homes and delays in achieving some of the savings proposals agreed in the budget.

6.6 The directorate and the Council have been actively pursuing all avenues to redress the financial situation, including providing additional strategic financial support dedicated to the service and formal service reviews where appropriate.

6.7 The overspend has increased by £1.1m since last month due to the following factors:

- An increase in the number of occupational therapy assessments has been carried out, which has significantly reduced the number of clients waiting for an assessment, however, this has resulted in a £0.2m cost pressure, mainly due to spend on minor adaptations and equipment;
- A £0.2m saving had previously been forecast due to the implementation of an electronic care at home system, it now appears likely the scheme will not be implemented this year and so the saving is no longer forecast to be achieved this financial year;
- Savings had been estimated in previous forecasts due to the removal of domestic support from existing care packages, latest estimates are that fewer reviews involving the removal of domestic support will now take place this financial year, resulting in the forecast worsening by £0.2m;
- As part of the additional financial support currently in place, reviews are currently taking place of all major spending areas, this includes undertaking extra analysis, including matching up to date activity trend patterns to forecast spend. This work identified that the forecast expenditure on residential care placements was understated by £0.5m.

6.8 An explanation of the financial position for each service area is given below:

- Adult Services is forecasting a net pressure after implementation of the financial recovery plan of £5.154m. The pressures are due in the main to costs of residential placements, direct payments and care at home. The budgets for these areas were overspent last year due to an increase in the number of clients, meaning the demands facing the service in 2011/12 were more than the budget could cater for. A further increase in clients in the early part of this year has increased the financial burden. Actions to try and halt this trend include new delegation and monitoring procedures, consolidated overall procedures for key spending decisions and greater scrutiny and gatekeeping of expenditure overall. The number of clients in these three key areas does seem to be levelling off during recent months.
- Safeguarding, Children & Families has a net overspend pressure of £1.011m. There has been a reduction in overall grant income within Integrated Family and Youth Support following the introduction of the Early Intervention Grant which replaced a number of separate grant funding streams. Efficiencies generated by the service have not been sufficient to fully offset the grant loss leaving a pressure of £0.5m. The remainder is due to an increase in occupancy levels in agency residential children's homes of 25% on last year. Following a review of each of these placements it is not envisaged that this will reduce significantly as we approach the year end.

- Education & Skills has a net pressure of £0.105m. The pressure relates to Home to School Transport, which is forecasting a gross pressure of nearly £0.5m. A number of initiatives are in place to reduce costs in this area, leaving a net position of £0.105m.

6.9 **Area Management (overspend of £0.379m).** The directorate has a number of in-year service pressures which were estimated to be £2.2m at period 2. Extensive work has been taken across all services to reduce the potential overspend and achieve a break even position by the end of the year. Savings have been identified to date of £1.8m, which have reduced the potential overspend to £0.4m. Savings delivered in period 8 relate to ICT costs (Microsoft licenses and northern grid charges) and Community Safety. Further cost reduction options are being explored and will be added to the forecast, once they have been confirmed. The directorate is still striving to achieve a break even position by the year end.

6.10 The in year pressures and outlines of the saving proposals are given below:

- Facilities Management – £0.094m forecast underspend. The projected saving is from the release of the repairs & maintenance contingency sum, this is a non recurring saving and would need to be reviewed in year if there was a call due to emergency building work requirements. Savings have also been achieved through the review of supplies and services, building costs and employee costs.
- Engineering - £0.096m forecast overspend. The initial projected overspend has been reduced through a reduction in the highways maintenance program. A savings proposal has been approved by Cabinet in this area which has staffing implications. Savings have been achieved in year from positions becoming vacant which form part of the service review. The projected overspend position does not allow for any potential increase in costs arising from a severe winter.
- Transport - £0.362m forecast overspend. The initial projected overspend for this area has been reduced following the approved changes in July to two discretionary transport services. Further reports have been presented and approved for a phase 3 review of transport services. A service review has been approved with staffing implications. The investigation of saving opportunities and service delivery options are ongoing, with savings being realised on vehicle lease costs and the review of payments to bus operators.
- Refuse & Recycling - £0.530m forecast overspend. The projected overspend in this area is a non recurring pressure due to the refurbishment of the energy from waste plant owned by SITA Tees Valley. A complete refurbishment programme commenced March 2011 and is scheduled to complete December 2011. In year saving opportunities have been identified and reflected in the outturn position along with further investigations being carried out through feasibility studies and service reviews. Income pressures have been identified within the SLA, Pest and Junk Jobs services which have been partially offset by reductions in disposal costs and savings on employees.
- IT – £0.183m forecast underspend. The savings in this area are from employee costs due to positions being held vacant in the year, additional

income, and savings on licensing costs.

- Neighbourhoods - £0.253m forecast underspend. The projected saving for the division has been achieved following a review of spend on costs associated with maintenance works and supplies and services along with the review of employee costs and vacant positions. In addition a review of the library book fund spend and updated income forecasts have contributed to further savings.

6.11 **Corporate Resources (underspend of £0.127m).** Pressures within the Directorate relating to the capitalisation of the Business Improvement Team (Corporate Policy & Performance) are offset with savings expected against the Corporate Training & Development budget and staffing vacancies within Human Resources.

6.12 **Regeneration (underspend of £0.148m).** At present the directorate is anticipating an in year saving of £0.148m. This relates to savings from salaries due to vacancies in economic growth and development services. There is a potential in year pressure on ERDF funding for Creative Industries and Enterprise Coaching, although at present this is not quantified. It is anticipated that any identified pressure will be addressed through additional savings in the directorate or by transfers from earmarked reserves.

6.13 **Corporate Allocations (underspend £5.755m).** There are pressures within Corporate Allocations relating to non achievement of business review savings on Assets, Property and Buildings of £1.2m. There are also a number of savings and funds that can be released to create an underspend which helps offset the overall financial position.

6.14 There is a one off allocation of £1m available which can be released following additional repayment of contingent borrowing from earmarked reserves due to the 2010/11 final outturn position being better than forecast. There are also initial revenue savings of £2.8m available on existing pensions and redundancy payments to the Teesside Pension Fund due to capitalisation powers given by central government.

6.15 Finally there are miscellaneous corporate offsets from savings on capital financing costs due to delays in the need to borrow due to rephasing of the capital programme and continued low interest rates, additional late ratings adjustments income, and the release of some of the equal pay provision given in year which is not now needed. These further offsets provide savings of £3.2m.

6.16 The forecast position within corporate allocations has improved by £1m this month due to the release of £0.5m from the equal pay provision and £0.5m further saving from capitalisation of redundancy payments.

6.17 **Adult Services Value for Money Improvement Programme**

Central to the long term financial health of the authority is the spending activities of the Adult Services division. The service consumes the largest amount of money, has a continually increasing client base and has struggled to contain spend within its budget allocations in recent years.

6.18 To help address the issue, the Chief Executive asked the Advisory Service within the Audit Commission to undertake a diagnostic review of Value for Money within Adult Services during the summer. In response a value for money action plan has

been produced which sets out to improve the financial management and governance of the service.

6.19 The plan involves a number of workstreams, all of which are currently in progress, key achievements to date include:

- An Acting Head of Commissioning & Business Improvement has been seconded into the service to lead the action plan;
- Key additional support, including from Finance, Human Resources and Legal Service is assisting the service in delivering the plan;
- Revised financial delegation limits for each management tier and a new panel authorisation process was implemented in mid-November;
- Social Work Managers have received training, checklists and guidance, with the aim of building financial management skills, increasing confidence and developing an understanding of the new arrangements;
- A piece of work has been undertaken analysing processes and unit costs with Middlesbrough BC. This has identified a number of shared learning opportunities and areas to explore for potential efficiency savings;
- A new Resource Allocation System has been introduced to more accurately match the allocation of funds to the costs of meeting assessed needs;
- Cross-Council participation in the LGA Ageing Well programme - the main focus of the Managers' Conference in December – to begin considering our collective response to the challenges of demographic changes of an ageing population;
- Further work with the Audit Commission has included a workshop with lead Cabinet Members, the Chair of Scrutiny Board and key officers from Financial Services and Adult Services to consider future savings proposals and promote collaborative work;
- Processes are currently being developed for improved data collection for cost and activity to assist with budget setting, monitoring and forecasting future activity;
- A new Case Management System for Adult Services has recently been procured and this will improve data quality and capture in the longer term;

6.20 It will take time to fully reshape the division and the services provided to its clients however, despite the worsening spend within the Period 8 projection, early indications are that the changes implemented so far are starting to have some effect, although the full financial benefits will not be fully realised immediately.

6.21 As well as the actions taken to date, a number of opportunities have been identified to reshape internal processes or our service offer, which have the potential to improve the outcomes for our service users and achieve efficiencies. Over the coming months the improvement programme will be focused on realising these opportunities, this is a significant undertaking and will not be achieved overnight. However, the changes are essential to ensure our finances remain on firm foundations and so delivery of the improvement programme is a key priority.

6.22 **Risks facing the Council on the Revenue Budget.** The Council is facing a challenging financial outlook, the squeeze on public finances and the increasing demand for social care services is putting a significant strain on our resources. An overspend is still forecast this year, although every effort is being made to achieve a break even position by the year end. As described earlier, a significant amount of work is being undertaken within Adult Services to address their financial position, both in the short and long term. The overspend forecast with Area Management has been managed down significantly and work is also ongoing with that

directorate to improve the position further.

CAPITAL PROGRAMME

- 6.23 **Capital Budget as at November 2011 (Period 8).** Cabinet in December approved an updated capital budget for the council of £45.397m for 2011/12. The programme has altered during November with a net reduction of £3.4m in total expenditure for the financial year. This is summarised as follows:

By: Directorate	Spend to Date	Approved Programme	Period Changes	Projected Outturn
	£ 000's	£ 000's	£ 000's	£ 000's
Regeneration	6,991	18,319	-628	17,691
Adults & Children's	6,090	15,022	-317	14,705
Area Management	2,337	5,892	319	6,211
Corporate Resources	28	6,164	-2,784	3,380
Total	15,446	45,397	-3,410	41,987

- 6.24 The main changes relate to rephasing or additions/decreases within directorate programmes and can be seen in Appendix 2. The major scheme changes by directorate are described below:
- 6.25 **Regeneration (reduction of £0.6m).** Redcar and Cleveland Investment Fund (£0.5m) rephasing. Delays in the start up of the scheme making loans to small businesses means part of this year's allocation will now be spent in future years.
- 6.26 **Adults & Children (reduction of £0.3m).** Changes to reflect the fact that grant will now not be received in relation to Adult Social Care and youth funded schemes.
- 6.27 **Area Management (increase of £0.3m).** Golden Boy Green (£0.5m increase) - technical adjustment to account for gross expenditure and insurance claim contribution on this scheme. It is not expected that the scheme will complete by March 2012 and therefore there will be rephasing of £0.2m of the increase into 2012/13.
- 6.28 **Corporate Resources (decrease of £2.8m).** Redundancy Costs (£1.5m decrease) - the capitalisation of these costs has been reduced in line with savings proposals put forward in the Council's revenue budget for 2012/13.
- 6.29 Pensions Costs (£1.3m decrease) - the capitalisation of these costs is dependant upon the level of capital receipts. Updated forecasts for 2011/12 have been received from property management based upon auctions undertaken and the feasibility of generating specific receipts by the end of March 2012.
- 6.30 **Funding of the Capital Programme in 2011/12.** The table below outlines the latest position following the period 8 update. The main change from period 7 relates to prudential borrowing assumptions mainly around capitalisation directions.
- 6.31 There are still ongoing risks around the level of capital receipts. However given the reductions in this period it is anticipated that the forecast given is a worse case scenario and that there may be some positive risk to the upside.

	Approved Budget	Period Changes	Projected Outturn
	£ 000's	£ 000's	£ 000's
Spend	45,397	-3,410	41,987
Funding			
Receipts	-3,500	1,320	-2,180
Grant	-18,256	-1,423	-19,679
DRF	0	-447	-447
Prudential Borrowing	-21,075	3,826	-17,249
Total Funding	-42,831	3,276	-39,555
Overprogramming (%)	2,566	-134	2,432
	5.7%		5.8%

TREASURY MANAGEMENT

- 6.32 The Treasury Strategy for the Council is under constant review. It can be impacted upon by a large number of factors, including changes in the economic situation and interest rate forecasts. Continuing uncertainty and issues in the financial markets mean that the Council has only just started to take external borrowing to fund the capital programme in this financial year, and has generally been reducing cash holdings in line with other local authorities in an attempt to avoid credit risk.
- 6.33 The actual investment and borrowing positions of the Council are in accordance with the Treasury Management Strategy and hence below the allocated institute thresholds for investments and below the authorised ceiling for borrowing.

6.34 Investments as at the end of November 2011

Investments	Credit Rating	Principal	Rate	Ave Duration
		£ 000's	%	(Days)
Call Accounts				
Nat West	Blue	4,858	0.80%	1
		4,858	0.80%	1
Fixed Term Deposits				
Bank of Scotland	Blue	15,000	1.75%	273
		15,000	1.75%	273
TOTAL	Blue (2.00)	19,858	1.52%	206

- 6.35 In terms of investment all cash currently (with the exception of the Bank of Scotland deposits) is being held in the Natwest instant access account for liquidity purposes.
- 6.36 On investment performance the Council is currently exceeding its own internal benchmark the 3-month London Interbank Offer Rate (LIBOR) of 0.99% by 0.53%.

- 6.37 The period 4 report outlined changes to the Council's investment strategy for 2011/12 in that higher counterparty limits were introduced for UK banks to allow greater flexibility for liquidity purposes. This is important when running down cash.
- 6.38 Additionally the report highlighted the need to diversify from a fixed term deposit position due to ongoing downgrades of financial institutions given the faltering economic recovery within both the UK and the eurozone. This involved the use of Money Market Funds but also consideration of wider investment instruments such as treasury bills, certificate of deposits and gilts. These actions are necessary to spread the risk of possible default in the UK banking system.
- 6.39 **Borrowing as at the end of November 2011**

Borrowing	30.11.11	Rate	Average Life	31.03.11	Rate	Average Life
	£000's	%	Years	£000's	%	Years
Fixed Rate Funding						
PWLB	47,171	3.47	11	50,180	3.35	11
Market	105,350	5.88	62	105,350	5.88	62
Total Fixed Rate	152,521	5.14		155,530	5.07	
Variable Rate Funding	0	0.00	0	0	0.00	0
TOTAL	152,521	5.14	47	155,530	5.07	46

- 6.40 However as cash available for payments to suppliers is now very low, some external financing is needed. This was agreed with the Head of Corporate Financial Services and our treasury management advisers at the end of November. The funds £5m initially, were received on 1st December. Full details of this borrowing will be reported in period 9.

7 What will be the impact on equality and diversity?

- 7.1 There are no direct implications from this report on equality and diversity although parts of the revenue budget contribute towards the Council policies and implementing these in the workplace.

8 What will be the impact on our carbon footprint?

- 8.1 There are no direct implications from this report on our carbon footprint although parts of the revenue budget contribute towards the Council policies and implementing these in the workplace.

9 Are there any legal considerations?

- 9.1 It is a statutory requirement of the Local Government Act 2003 Section 33 for the Chief Financial Officer (the Head of Corporate Financial Services) to achieve a balanced budget for the Council.

9.2 In addition the Local Government Act 1972 Section 25 addresses the Chief Finance Officer's legal requirement to be satisfied regarding the adequacy of its reserves when setting and operating budgetary policy of the Council.

9.3 The reporting of the financial position on a regular basis is a key part of achieving these two legal requirements.

10 What are the risks involved?

10.1 There are obvious dependencies between the three key budgetary areas and it is only by a consideration of all three, and the relevant funding streams involved, that the impact on the Council's financial position can be assessed and appreciated.

10.2 The main risk is that the Council's resources are not prioritised and used in the most efficient manner for service delivery, and that any overspending on resources is not identified and managed in a timely manner.

10.3 Monthly monitoring to the Executive Management Team and Cabinet is seen as good practice in terms of both financial and risk management and is the model adopted by most local authorities.

10.4 The risks around the financial position of the Council and the medium term financial plan are highlighted and monitored through the Corporate Risk register.

11 What options have been considered?

11.1 This is not applicable as managing the financial position of the Council is integral to its success. There are therefore no options available.

12 Recommendations

12.1 It is recommended that Audit Committee:

- 1) Note the progress to date and the forecast year end outturn position on the revenue budget, the capital programme, and the Council's treasury management plans.
- 2) Discuss any issues Members have with the financial position and how these will be taken forward in terms of a response to Cabinet

13 Appendices and further information

13.1 Appendix 1 – Current revenue budget position by directorate
Appendix 2 – List of changes to Capital Programme

14 Background papers

14.1 None except for published documents.

15 Contact officer

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**REVENUE BASE AND REVISED BUDGETS FOR
2010/11**

	Chief Executives Directorate	Corporate Resources Directorate	Area Management Directorate	Adult & Children's Services Directorate	Regeneration Directorate	Corporate Wide	General Fund	Reserves	Balances	TOTAL
	£	£	£	£	£	£	£	£	£	£
2011-12 Base Budget	2,535,967	8,354,531	38,679,260	57,791,722	8,811,648	-1,553,690	6,019,922	-263,410	4,378,500	124,754,450
Adjustment: Transfer of Capital Schools Team				-123,050	123,050					
2011-12 Base Budget	2,535,967	8,354,531	38,679,260	57,668,672	8,934,698	-1,553,690	6,019,922	-263,410	4,378,500	124,754,450
Adjustments already approved by Cabinet										
Tees Valley Partnership Transfer (non-recurring)		4,950					-4,950			0
ABG Income Adjustment		60,400					-60,400			0
Removal of Contribution to P&P Manager post funded from ABG		39,600					-39,600			0
Transfer of DP Monitoring Officer Post (1.0 fte)		-25,850		25,850						0
Funding for Apprentices (non-recurring)		32,750			-32,750					0
Shortfall in Funding for the Capital Schools Team				-67,000	67,000					0
Restatement of Planning & Delivery Grant Utilised 09-10 (non-recurring)					150,000		-150,000			0
Amalgamation of CE and CR	-2,535,967	2,535,967								0
Transfer of Earmarked Reserves					726,450			-726,450		0
Savings Targets Already Allocated		43,800					-43,800			0
Central Support Recharges		-5,460,500	-5,318,600	9,874,800	979,300		-75,000			0
Transfer of residual cleaning budgets			5,150	-5,150						0
Head of Service recharges for Regeneration activity			-29,750		29,750					0
<u>Budget Adjustments to be approved – 17th January 2012</u>										
Capital Charges		62,700	4,400	5,549,800	1,696,900		-7,313,800			0
Central Support Recharges			-162,950		162,950					0
Contingency		47,350					-47,350			0
Transfer of Earmarked Reserves		12,850			357,250			-370,100		0
Total adjustments	-2,535,967	-2,645,983	-5,501,750	15,378,300	4,136,850	0	-7,734,900	-1,096,550	0	0
2011-12 Revised Budget	0	5,708,548	33,177,510	73,046,972	13,071,548	-1,553,690	-1,714,978	-1,359,960	4,378,500	124,754,450

