



Accountants &
business advisers

Hastings Borough Council

Annual Audit Letter 2010/11

Report to Members

November 2011

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<http://www.pkf.co.uk>

Code of Audit Practice and Statement of Responsibilities of Auditors and Audited Bodies

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission contains an explanation of the respective responsibilities of auditors and of the audited body. Reports and letters prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

<http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/Pages/codelocalgov.aspx>

<http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/Pages/statementresponsibilities.aspx>

1 Executive summary

- 1.1 This Annual Audit Letter summarises the key issues arising from the work we have completed over the past 12 months. We have already reported the detailed findings from our audit work to those charged with governance in the reports documented in Appendix 1 to this report. The key issues arising from our work are summarised below.

Audit of 2010/11 financial statements

- 1.2 Local Authorities prepared financial statements, and restated prior year accounts, in accordance with International Financial Reporting Standards (IFRSs) for the first time in 2010/11. The Council managed the transition to IFRS effectively and an unqualified opinion was given on the accounts.

Value for money

Financial Resilience

- 1.3 The Council managed its financial position well in the year, with clear leadership on financial matters shown by the Senior Management Team and the Cabinet to both prepare for, and respond to, the Government's 2010 Comprehensive Spending Review. Over the last 12 months the Council has focussed on meeting the objectives set in its Corporate Plan while developing and then implementing its financial plans. Linkages between the Council's financial and service delivery plans remain effective, through the annual Priorities, Income and Efficiencies Review (PIER) process.
- 1.4 In 2010/11, the net general fund expenditure budget amounted to £22.1 million. Through the implementation of planned reductions in expenditure and the delivery of efficiency savings, net expenditure on services was £2 million less than the revised budget amount. The majority of the underspend (£1.7 million) arose as a result of the reduced expenditure on projects funded from the Government's Area Based Grant. Positive financial performance in the year enabled the Council to increase the level of the general reserve by £500,000 (to £1.7 million) as at 31 March 2011. General and other earmarked reserves amount to £12.2 million as at 31 March 2011 and are sufficient to achieve the Council's financial plans for the periods to 31 March 2013. The Chief Financial Officer considers the level of the reserve to be sufficient in the light of the financial risks the Council has identified.
- 1.5 The 2011/12 budget is balanced and includes an agreed programme of measures and other actions to secure efficiency savings of £1.9 million. As at the end of October 2011, the Council expects the overall budget to be achieved by 31 March 2012. The Council continues to progress the efficiency and savings plans developed from the PIER process and, combined with the two year transitional funding provided by the Government, is confident its financial plans for the next two years will be achieved. However, there are significant risks to achieving the Council's financial plans. The level of savings necessary in 2011/12 (£1.9 million) was substantial and the transitional resources provided by the Government following the withdrawal of Area Based Grant will end by 31 March 2013. In addition, the Council is currently consulting on a major restructuring of the organisation, designed to secure savings over the medium term. Members are continuing to keep the overall financial position, and identified financial and operational risks under review, through the work of the Cabinet and the Audit Committee.

Economy efficiency and effectiveness

- 1.6 The Council reports performance towards its priorities and targets, based on a suite of national and local indicators, to portfolio holders (the Cabinet) and the Overview and Scrutiny Committees throughout the year. The Council published an annual report (known as the retrospective look back') shortly after the end of the 2010/11 financial year, highlighting progress towards objectives and achievement of financial plans. The performance

management and reporting approach enables Members to challenge reported outcomes and also assists local people in understanding how the Council performs each year.

- 1.7 The PIER“process enables the Council to understand the impact of its expenditure plans on future service performance. The Council has continued to involve stakeholders in developing its financial plans and corporate priorities. A major consultation exercise with local people (known as the 'Big Conversation') was completed in the year and underpinned development of the Council's revised corporate priorities, forward financial plans and future performance measures. Options for service delivery were developed in the year and new ways of working introduced for certain back-office and front-line services. For instance, the rationalisation of the Council's accommodation and the development of 'smarter' working arrangements for staff is designed to enhance the efficiency of back-office services. Investment in the Council's website and a content management system is encouraging more people to contact the Council remotely'. The Council is therefore taking the action necessary to establish the financial and operational capacity necessary to achieve its priorities.
- 1.8 The Council has a good track record of working successfully in partnership and progressed such joint-working further in the year, with some changes to the provision of services across Hastings. Fraud Investigation, Stray Dogs and Emergency Planning services are all shared with a neighbouring District Council. The Abandoned Vehicles service is shared with other East Sussex Councils.
- 1.9 The Council continued its ambitious programme with its partners for the economic regeneration of the area. Further opportunities have been created for local people to enter further education; training and jobs through the 'Enviro 21' business park at South Queensway, the Hastings Creative Media centre (developed with the 'Sea Space' economic regeneration company) and the progress made with the 'Stade' development on Hastings seafront.
- 1.10 The Council is also involved in a significant partnership with other District and Borough Councils in East Sussex to procure waste management and street cleaning services. Four Councils have established a joint waste (collection) committee. A Memorandum of Understanding for joint working and a draft terms of reference for the Committee have been agreed. The Council hopes to minimise the financial impact of its future waste contracts from the joint procurement, commissioning and subsequent management of the contract. Hastings is also developing a significant joint-procurement with another local authority for its future Grounds Maintenance contracts.

Progress towards priorities

- 1.11 The Council monitors progress towards priorities through comprehensive quarterly performance reports, enabling the Cabinet and the Overview and Scrutiny Committees to review and challenge reported outcomes. It has also published its performance towards over 100 targets contained in the Corporate Plan for the 2010/11 year. As at 31 March 2011, only one indicator was judged to be significantly behind the published target. The Council aimed to ensure a further 100 properties were accredited through its Accredited Lettings Scheme, though only 73 properties achieved such accreditation.
- 1.12 The Council reported positive outcomes towards its Corporate Plan priorities by:
- improving the cleanliness of its streets (only four per cent of streets did not meet the required level of cleanliness compared to the target level of 10 per cent)
 - reducing the overall level of crime by 41 per cent compared to the 2003/04 benchmark level. Only 86 crimes per 1,000 population were reported in 2010/11 compared to the target level of 111 crimes per 1,000 population
 - increasing the number of visitors to the White Rock Theatre and the Hastings Museum and Art Gallery above target levels
 - reducing the time taken to process major and minor planning applications

- reducing the number of homeless people through successful interventions (the Council aimed to provide advice to 337 people. In the event, advice was provided to 1,190 people to resolve their housing problems)
 - maintaining high collection rates for Council Tax (96.4 per cent collected) and National Non Domestic Rates (98 per cent collected)
 - surpassing targets for the average number of days to process new Housing Benefit claims (23.7 days compared to the target of 25 days) and the average number of days to process changes of circumstance (10.7 days compared to the target of 12 days).
- 1.13 The Council also highlighted the pace of improvement needs to improve to achieve its targets for:
- increasing the amount of waste recycled
 - increasing the number of visitors to leisure centres (performance was adversely affected by the closure of Summerfields Leisure centre for a period in the year)
 - increasing the number of new homes delivered (only 77 new homes achieved compared to the target of 210 new homes).
- 1.14 The Council has identified the measures necessary to achieve the key indicators identified for the 2011/12 year. As at the end of September 2011, some slippage has been reported in the following areas:
- providing a comprehensive communications service for the Council (to promote and review how Hastings is marketed as a great place to live, invest in, work and visit, and to improve the efficiency of communications by increased use of electronic media)
 - reducing the time taken to answer telephone calls and meeting personal callers enquiring about revenue services
 - to expand and develop the contact centre to include the majority of Council services by March 2012.

Financial and Economic outlook

- 1.15 The Government reduced the resources provided to Hastings by a net £2.1 million in 2011/12 and a further £1.6 million net reduction has been announced for the 2012/13 year. The reductions were made to the Council's formula grant entitlement and the withdrawal of Area Based Grants. The Government has notified Hastings transitional funding amounting to £5 million will be provided for the period to 31 March 2013 to assist in managing the loss of grant income. The Council expects its overall resource base to reduce by £3.7 million over the next two years compared to the 2010/11 level. When transitional funding is removed, the 2013/14 budget will need to be developed based on a reduction in Government funding of £6.1 million (almost 50 per cent compared to the 2010/11 level).
- 1.16 The Council has identified the significant financial risks to its financial stability and has taken action to increase the amount of savings achieved through its efficiency programme, including a major restructuring of the Council and a reduction in the number of senior management posts. It has also established adequate reserves to support achievement of the medium term financial strategy.
- 1.17 The Council is continuing to develop and implement its plans to minimise the impact of the economic downturn on its communities. The 2011/12 Corporate Plan includes measures to work with strategic partners to improve the economic growth and prosperity of the area. A new regeneration company is being developed following the Government's decision to disband the South East Regional Development Agency. The Council continues to contribute to a number of local partnerships to improve the area's infrastructure, including existing and emerging local economic development companies and through the new Kent, Essex and East Sussex Local Enterprise Partnership.

- 1.18 However, the percentage of working age people claiming out of work benefits in the worst performing neighbourhoods (36.1 per cent) was behind target for the year. While the pace of increase has reduced, the area is not closing the gap with the rest of the country as quickly as anticipated. In 2011, the gap was 5.1 per cent wider compared to the target level of 3.1 per cent.
- 1.19 The percentage of 16 to 18 year olds who are not in education, employment or training (9.42 per cent) remains higher than the county average target of 5.4 per cent. To address this, a project is underway with local social enterprises specialising in behavioural, emotional and social difficulties among young people to support the transition of learners from school to a post-16 setting. The Council recognises that reducing the number of NEETs is particularly challenging given the reduction in resources available to the local employment services such as Connexions and Youth Services.

Acknowledgement

- 1.20 We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

2 Introduction

About the Council

- 2.1 Hastings Borough Council covers a small geographical area of 20 square miles and is the smallest of the five district and borough councils in the county of East Sussex. Most of its population of about 86,700 people live in the connected seaside towns of Hastings and St Leonards. The Council spends around £100 million each year on services such as refuse collection and street cleaning; planning and economic development; environmental health and benefit payments.
- 2.2 The Council provides services to some of the most deprived wards in the country. The 2010 index of multiple deprivation rating highlights Hastings as the 19th most deprived district in England (average score rank). Eight of the Council's 16 wards are among the most deprived 10 per cent of wards in the county, based on national indicators for income; employment; health and disability; education; crime and living environment. The Council has progressed some major projects in the year designed to make a difference to the lives of local people and it continues to work through the East Sussex Strategic Partnership and with organisations such as the Connexions" service to improve youth services; tackling youth unemployment; improving access to training opportunities and improving educational achievement.
- 2.3 In 2010/11, the Council completed work on the conversion of Jackson Hall as a new base for the voluntary sector and has worked with the Hastings Pier and White Rock Trust to secure lottery funding for the repair and refurbishment of Hastings Pier. Work continues on the 'Enviro 21' business park at South Queensway, part of a network of such parks in the Hastings and Bexhill area, with the first businesses occupying premises in 2011. The Council continues to make progress with the 'Jerwood Gallery' project as part of Stade development on Hastings seafront.
- 2.4 Hastings population involves a high percentage of older people aged 65 years and over, 75 years and over and 85 years and over. Population projections show that the proportion of older people will continue to increase. Providing services that support the health, wellbeing and independence of older people is therefore a priority for the area the Council works towards with its partners through the Hastings Local Strategic Partnership.
- 2.5 The Council's priorities and future investment in services, including the budget for the 2011/12 financial year, were developed following a major consultation with local people (the Big Conversation') which was completed in October 2010. Further information on the activities of the Council is publicly available on its website at www.hastings.gov.uk.

The purpose of this Letter

- 2.6 The purpose of this Letter is to summarise the key issues arising from the work that we have carried out during the year. Although this Letter is addressed to Members, it is also intended to communicate the significant issues we have identified, in an accessible format, to key external stakeholders, including members of the public. The Letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

Responsibilities of the auditors and the Council

- 2.7 We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing auditors to local public bodies in England.
- 2.8 As the Council's external auditors, we have a broad remit covering financial and governance matters. We target our work on areas which involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives. It is the responsibility of the Council to ensure that proper arrangements are in place for the

conduct of its business and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

The scope of our work

- 2.9 Our main responsibility as the appointed auditor is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:
- the Council's financial statements
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

3 Key findings

Financial statements

- 3.1 We issued an unqualified opinion on the Council's financial statements on 30 September 2011. Our opinion confirms the financial statements gave a true and fair view of Council's financial affairs as at 31 March 2011 and of its income and expenditure for the year then ended.
- 3.2 We were satisfied the Annual Governance Statement was not inconsistent or misleading with other information we were aware of from our audit of the financial statements. The Council's accounting and internal control systems remain effective based on the work of internal audit and our review.

Implementation of International Financial Reporting Standards

- 3.3 Local Authorities prepared financial statements, and restated prior year accounts, in accordance with International Financial Reporting Standards (IFRSs) for the first time in 2010/11. The Council managed the transition to IFRS effectively and an unqualified opinion was given on the accounts.

Use of resources

- 3.4 The Code requires us to be satisfied proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources. This is known as the 'value for money conclusion' and draws on the results of specific risk based audit work.
- 3.5 The focus of our work in 2010/11 involved reviewing the financial resilience of the organisation and its arrangements for securing economy, efficiency and effectiveness in the use of resources. Our financial resilience work considered the Council's arrangements for financial governance, financial planning and financial control. Our review of economy, efficiency and effectiveness considered the Council's arrangements for prioritising resources and improving efficiency and productivity.

Financial Resilience

- 3.6 The Council continued to manage its finances well in the year, and has taken action to refresh its priorities and identify the scope to reduce its expenditure following the Government's Comprehensive Spending Review and the financial settlement for the 2011/12 and 2012/13 years. In the lead up to the Government's spending announcements, the Council completed a comprehensive exercise based on various scenarios to enable Members to determine a balanced budget for the 2011/12 and 2012/13 years. A revised medium term plan is due to be considered by the Cabinet on 28 November 2011.
- 3.7 The Government reduced the resources provided to Hastings by a net £2.1 million in 2011/12 and a further £1.6 million net reduction has been announced for the 2012/13 year. The reductions were made to the Council's formula grant entitlement and the withdrawal of Area Based Grants. The Government has notified Hastings transitional funding amounting to £5 million will be provided for the period to 31 March 2013 to assist in managing the loss of grant income. The Council still expects its overall resource base to reduce by £3.7 million over the next two years compared to the 2010/11 level. When transitional funding is removed, the 2013/14 budget will need to be developed based on a reduction in Government funding of £6.1 million (almost 50 per cent compared to the 2010/11 level).
- 3.8 The Council has identified the significant financial risks to its financial stability and has taken action to increase the amount of savings achieved through its efficiency programme, including a major restructuring of the Council and a reduction in the number of senior management posts. It has also established sufficient reserves to support achievement of the medium term financial strategy.

- 3.9 In 2010/11, the net general fund expenditure budget amounted to £22.1 million. Through the implementation of planned reductions in expenditure and the delivery of efficiency savings, net expenditure on services was £2 million less than the revised budget amount. The majority of the underspend (£1.7 million) arose because of the reduced spending on projects funded from the Government's Area Based Grant. The Council planned to reduce its earmarked reserves in the year as projects resourced from Government Grants and other resources were completed. The Council also decided to increase the level of the general reserve by £500,000 (to £1.7 million) in the light of the significant financial risks identified through the term financial planning process. As at 31 March 2011, total general and earmarked reserves amounted to £12.2 million. Strong and effective leadership therefore continues to be shown on financial matters by the Cabinet and the Senior Management Team.
- 3.10 The Council has continued to involve stakeholders in developing its priorities and its financial plans. Based on the outcome of the 2010 "Big Conversation" with local people, the Council refreshed its priorities and published its plans for investment in the Regeneration, of the area; Community Safety; Cultural Regeneration, Older People and Young People; and Community Cohesion. The updated corporate plan contains a range of performance indicators, underpinning achievement of the Council's six corporate priorities.
- 3.11 While the 2011/12 budget is balanced, the Council must secure efficiency savings of about £1.9 million by 31 March 2012. A detailed programme of corporate and service reviews, and expected outcomes has been prepared based on the efficiency plans prepared as part of the PIER process.

Economy, Efficiency and Effectiveness

- 3.12 Our previous use of resources work concluded the Council has an effective programme of value for money service reviews (identified by the PIER" process), which aims to review costs and identify the improvement required in service performance. The process continues to underpin the integrated service and financial planning approach and allows the Council to understand the impact of its expenditure plans on future service performance.
- 3.13 The programme of savings and efficiency reviews (covering the 2011/12 and 2012/13 financial periods) continue to be implemented, with progress monitored by the Cabinet and the Overview and Scrutiny Committees through the regular review of financial performance. Risks involved in delivering the overall programme and individual projects are identified and action taken to mitigate such risks. Important outcomes to date, a number of which have involved a reduction in the Council's establishment, include:
- progression of the work to rationalise the Council's accommodation to two principal sites in the centre of Hastings and the associated investment in improved technologies (ICT)
 - savings from the Council's procurement of new contracts for Leisure services (£300,000 per annum)
 - the re-structure of the Waste and Recycling Team and the Environmental Enforcement Team to establish more effective links between enforcement action and waste management performance
 - implementing additional partnership working with Rother District Council to share the costs of service management.
- 3.14 Staff continue to be consulted as the more significant projects are developed and progressed (a "staff commission" has been established to assist in monitoring the impact of changes proposed and then implemented by the Council). Staff are increasingly involved in project delivery (through joint working arrangements with other Councils for instance). A major consultation with staff in September 2011 is being taken forward by the Leader of the Council and proposals for a restructuring of the Council are now being prepared.

- 3.15 The Council's revised 2011/12 priorities are underpinned by a suite of performance indicators, with outcomes reported quarterly to portfolio holders (the Cabinet) and also to the Overview and Scrutiny Committees. Performance information is made available in an accessible format, linked to Council priorities and enables Members to challenge management where performance is out of line with expectations.
- 3.16 The Council has identified the financial and operational capacity necessary to achieve its priorities. The completion of the PIER process, linking corporate and medium term financial planning prior to the Government's Comprehensive Spending Review, provides evidence of this.
- 3.17 The Council has a good track record of working successfully in partnership and progressed such joint-working further in the year. There have been some changes in the way back-office and front-line services are provided across Hastings. Fraud Investigation services, Stray Dogs and Emergency Planning services are all shared with Rother District Council. The Abandoned Vehicles service is shared with other East Sussex Councils. the commencement of a transformation programme for the customer contact centre, reductions in the amount of accommodation the Council uses and the development of 'smarter' working arrangements for staff are further examples of new ways of working established over the last 12 months.
- 3.18 The Council is also involved in a significant partnership with other District and Borough Councils in East Sussex to procure waste collection services. Four Councils have established a joint waste (collection) committee. A Memorandum of Understanding for joint working and a draft terms of reference for the Committee have been agreed. The Council hopes to minimise the financial impact of its future waste contracts from the joint procurement, commissioning and subsequent management of the contract. Other services, such as Grounds Maintenance, Internal Audit and Legal Services, are also being considered for future partnership working.
- 3.19 The work of the 'Safer Hastings' Community Safety Partnership aims to reduce the level and perception of crime in the area. The Partnership reported crime in the Hastings and St Leonard's area has reduced by 41 per cent (in 2010/11) compared to the 2003/04 benchmark level. At the detailed level, the Council is reporting generally positive progress towards its targets for:
- domestic burglaries (6.2 per 1,000 households) compared to the target level of 8.2 per 1,000 households
 - vehicle crimes (8.4 per 1,000 population) compared to the target of 12.4 per 1,000 population
 - serious violent crimes (0.85 per 1,000 population) compared to the target level of 0.70 per 1,000 population
 - serious acquisitive crimes (12.6 per 1,000 population) compared to the target level of 17.6 per 1,000 population
 - assault with less serious injuries (7.77 per 1,000 population) compared to the target level of 10 per 1,000 population.

Progress towards priorities

- 3.20 The Council monitors progress towards priorities through comprehensive quarterly performance reports which enable the Cabinet and the Overview and Scrutiny Committees to review and challenge reported outcomes. It has also reported progress towards the targets in the 2010/11 to 2012/13 Corporate Plan through the annual report ('retrospective look back') for the 2010/11 year.
- 3.21 The Council assesses its progress towards its targets and milestones using a Red / Amber / Green (RAG) rating and, as at 31 March 2011, the majority of targets were achieved (assessed as 'Green'). As at 31 March 2011, only one indicator was judged to be significantly behind the

published target. The Council aimed to ensure a further 100 properties were accredited through its Accredited Lettings Scheme, though only 73 properties achieved such accreditation.

- 3.22 The Council reported positive outcomes towards its Corporate Plan priorities for:
- improving the cleanliness of its streets (only four per cent of streets did not meet the required level of cleanliness compared to the target level of 10 per cent)
 - reducing the overall level of crime by 41 per cent compared to the 2003/04 benchmark level. Only 86 crimes per 1,000 population were reported in 2010/11 compared to the target level of 111 crimes per 1,000 population
 - increasing the number of visitors to the White Rock Theatre and the Hastings Museum and Art Gallery above target levels
 - reducing the time taken to process major and minor planning applications
 - reducing the number of homeless people through successful interventions (the Council aimed to provide advice to 337 people. In the event, advice was provided to 1,190 people to assist in resolving their housing problems)
 - maintaining high collection rates for Council Tax (96.4 per cent collected in year) and National Non Domestic Rates (98 per cent collected in year) representing better performance than previous years
 - surpassing targets for the average number of days to process new Housing Benefit claims (23.7 days compared to the target of 25 days) and the average number of days to process changes of circumstance (10.7 days compared to the target of 12 days).
- 3.23 The Council also highlighted the pace of improvement needs to improve to achieve its targets for:
- increasing the amount of waste recycled
 - increasing the number of visitors to leisure centres (performance was adversely affected by closure of Summerfields Leisure centre for a period in the year)
 - increasing the number of new homes delivered (an additional 77 new homes were achieved compared to the target of 210 new homes).
- 3.24 The Council has identified the measures necessary to achieve the key indicators identified for the 2011/12 year. As at the end of September 2011, some slippage has been reported in the following areas:
- providing a comprehensive communications service for the Council, promote and review how Hastings is marketed as a great place to live, invest in, work and visit, and improve the efficiency of communications by increased use of electronic media
 - reducing the time taken to answer telephone calls and meeting personal callers enquiring about revenue services
 - to expand and develop the contact centre to include the majority of Council services by March 2012.
- 3.25 Further information about the Council's progress towards targets in 2011/12 is shown at Appendix 3.

Audit of grant claims and other Government returns

- 3.26 In February 2010, we reported the Council's arrangements for preparing grant claims and other returns to Government departments were effective. As at the end of November 2011, none of the claims we audited were qualified for the 2010/11 year.

4 Emerging issues

Financial outlook

- 4.1 The Government's grant settlement announced for Hastings in December 2010 reduced the Formula Grant by £1.3 million (14.3 per cent) for the 2011/12 year and a further reduction of £1 million is expected in 2012/13 (cumulative reduction of 25.3 per cent compared to the 2010/11 amount). The Government also announced the withdrawal of Area Based Grant, which amounted to £3.6 million in 2010/11. To mitigate the loss of Formula and other Specific Grant income, the Council has received transitional funding from the Government of £2.8 million in 2011/12 and is due to receive a further £2.2 million in 2012/13.

	2010/11 £0	2011/12 £0	2012/13 £0	2013/14 £0
Government funding				
Adjusted Area Based Grant	3,600	0	0	0
Formula Grant	9,100	7,800	6,800	6,600
Transitional Funding	0	2,800	2,200	0
Total Government funding	12,700	10,600	9,000	6,600
Reduction in resources (Cash Basis)		2,100	3,700	6,100
Reduction in Resources (Cumulative % basis)		16.5%	29.1%	47.4%

- 4.2 The transitional funding has assisted the Council in balancing its budget for the 2011/12 year and, coupled with identified savings and efficiency projects, is underpinning the Council's financial planning for the 2012/13 year. While the medium term financial outlook is difficult and the Council has general revenue and other earmarked reserves available to assist in meeting the financial challenges identified, as shown in the table below.

	31 March 2011 (actual) £0		31 March 2012 (estimate) £0	
General revenue reserve (includes amounts earmarked for capital purposes)		4,469		3,817
Earmarked reserves				
<i>Area Based Grant Unapplied Reserve</i>	1,755		130	
<i>Renewal and Repairs Reserve</i>	1,720		1,422	
<i>Government Grants Reserve</i>	816		816	
<i>VAT reserve</i>	1,522		150	
<i>Section 106 Reserve</i>	546		546	
<i>Redundancy reserve</i>	0		508	
<i>Transition fund</i>	0		722	
<i>Other available revenue reserve</i>	1,404	7,763	1,885	6,179
Total revenue reserves available (£0)0		£12,232		£9,996

- 4.3 Based on the above, there are significant risks which may affect achievement of the Council's financial objectives. In particular, the anticipated efficiency savings will need to be achieved. In addition, further savings will need to be secured from other projects, such as improving service commissioning and procurement arrangements and restructuring the organisation. The level of general and earmarked reserves as at 31 March 2011 (total £12.2 million) is considered sufficient by the Chief Financial Officer. The reserves are expected to

reduce in 2011/12 and may reduce further should planned savings not be achieved, representing a further risk to the Council's financial position.

- 4.4 While the transitional funding provided in 2011/12 and 2012/13 has assisted in balancing the budget, the level of savings and reductions in expenditure planned, must be achieved to ensure the financial resilience of the organisation over the medium term. However, with effective financial and service planning processes evident, underpinned by the corporate programme of PIER reviews, the Council can be confident it has the necessary arrangements in place to address the financial risks it has identified. A revised medium term plan is due to be considered by the Cabinet on 28 November 2011.
- 4.5 The Council's capital programme for 2010/11 amounted to £12.38 million and expenditure of £9.15 million was actually incurred, on projects including the Stade project (£3.3 million), central St Leonards works (£1.15 million) and Jackson Hall (£675,000). Members received reports about the reasons for the slippage on certain projects and agreed resources should be carried forward to 2011/12. The capital programme is financed mainly from direct grant and other contributions provided by the Government. In light of the reduced resources now available, the Council is keeping the affordability of the overall capital programme under close review.

Economic outlook

- 4.6 The renaissance of Hastings through social, economic, cultural and environmental regeneration is the Council's published vision for the area. All of the Council's six priority areas contain clear actions and targets for achieving the vision. A range of measures have been put in place and further initiatives are underway to minimise the impact of the national economic situation on local people. For instance, further opportunities have been created for local people to enter further education; training and jobs through the 'Enviro 21' business park at South Queensway, the Hastings Creative Media centre (developed with Sea Space), and the progress made with the Stade development on Hastings seafront.
- 4.7 The 2012/13 corporate plan includes a milestone to work with key partners to secure the economic growth and prosperity of the area, and in particular to retain a regeneration company for Hastings. The Council continues to contribute to a number of partnerships to further the Town's infrastructure regeneration efforts including Sea Space and the new Kent, Essex and East Sussex Local Enterprise Partnership (KEESLEP).
- 4.8 However, the percentage of working age people claiming out of work benefits in the worst performing neighbourhoods (36.1 per cent) was behind target for the year. While the pace of increase has reduced, the area is not closing the gap with the rest of the country as quickly as anticipated. In 2011, the gap was 5.1 per cent higher compared to the target level of 3.1 per cent. In addition, the percentage of 16 to 18 year olds who are not in education, employment or training (9.42 per cent) remains higher than the county average target of 5.4 per cent. To address this, a project is underway with local social enterprises specialising in behavioural, emotional and social difficulties among young people to support the transition of learners from school to a post-16 setting. The Council recognises that reducing the number of NEETs is particularly challenging given the reduction in resources available to the local employment services such as Connexions and Youth Services.

Core Strategy

- 4.9 The Council has updated the timetable for the publication of its Core Strategy to include a 12 week period of consultation between January and March 2012, with submission to the Secretary of State for review (and approval) in April 2012. The Council expects to adopt the approved Core Strategy in February 2013. The Council is aware of the significant additional work and expenditure which may arise in the event the strategy is not approved by the Inspector.

Localism Bill

- 4.10 The Localism Bill was considered by Parliament on 13 December 2010, and subject to consultation and amendment, it is expected to receive royal assent by 30 November 2011. The Bill contains important developments for the public sector and local authorities in particular. The Council has considered the impact of the Bill on its future financing and operations and on local communities. In particular, the Bill provides for:
- the introduction of a general power of competence for Councils coupled with more freedom to adopt alternative governance structures
 - more flexibility and discretion over the award of business rate relief
 - changes to the planning system following the abolition of Regional Spatial Strategies.
- 4.11 The Cabinet continues to review the impact of the Localism Bill on the Council's future operations and as guidance is published by the Government.

Welfare Reforms

- 4.12 In November 2010, the Government published a White Paper known as *Universal Credit: Welfare that works*. The proposals aim to simplify the benefits system, including entitlement to Housing Benefit. A further document was published in August 2011, entitled *Localising support for council tax in England*. Council Tax benefit is not expected to be included in the Universal Credit. The Government's proposals are likely to have important implications for local authorities with responsibilities for administering benefits. For instance, Housing Benefit is expected to be included in a 'Universal Credit' following a relatively short implementation period for new claims. It is not yet clear how claimants requiring assistance in preparing applications will be dealt with locally. The Council is considering the impact of the Government's proposals on the future provision of benefit services and recognises the timetable for full implementation is challenging.
- 4.13 The framework for awarding council tax benefit is also expected to change, with more flexibility provided to local authorities to design a local scheme of benefit and entitlements while protecting vulnerable and older people. Further details about the scheme design, its funding arrangements and the timetable for implementation are awaited.

Bribery Act

- 4.14 The Bribery Act came into force on 1 July 2011. The Act modernises the law on bribery and identifies four offences:
- offering, promising or giving a bribe to another person to perform a relevant function or activity improperly, or to reward a person for the improper performance of such a function or activity (Active bribery)
 - requesting, agreeing to receive or accepting a bribe to perform a function or activity improperly, irrespective of whether the recipient of the bribe requests or receives it directly or through a third party, and irrespective of whether it is for the recipient's benefit (Passive bribery)
 - bribing a foreign public official.
 - failure of a commercial organisation to prevent bribery.
- 4.15 The Act represents a significant change from the current law and places obligations on the Council to ensure that it has adequate procedures in place. The maximum penalty for Councillors or Officers found guilty of an offence of bribery is ten years imprisonment, a fine of up to £5,000, or both, and the maximum penalty for the Council will be an unlimited fine. The Audit Committee has received updates from the Head of Internal Audit about the impact of the Bribery Act on the Council's operations.

Appendix 1

Reports issued in relation to the 2010/11 audit

Report	Date Issued
Audit plan	January 2011
Annual governance report	September 2011

Appendix 2

Performance towards the Council's 2010/11 key indicators

Corporate plan indicators

Indicator	Performance 10/11		Comment
	Target	Actual	
Environmental Health & Parking			
Improved street and environmental cleanliness (levels of litter)	10%	4%	Performance above target.
Percentage of household waste sent for reuse, recycling and composting	30.0%	25.6%	Target not met, that for 2011/12 to be revised.
Percentage of nuisance/general public health complaints responded to within 4 working days (bonfires, noise, accumulations etc.).	95.0%	94.8%	In line with target.
Percentage of food establishments which are broadly compliant with food hygiene law	85.0%	83.9%	Target not met, although slippage is not significant.
Number of crimes reported in Council car parks	15	12	Performance above target.
Amenities & Leisure			
Number of people attending White Rock Theatre performances	73,000	83,474	Performance above target.
Number of visitors to Hastings Museum and Art Gallery	35,000	35,974	Performance above target.
Total attendances at Council Leisure Centres	365,000	352,767	Target not met due to closure of Summerfields in the Winter.
Percentage of Local Authority public buildings suitable for and accessible to disabled people	93%	87%	Performance above target.
Regeneration and Community Services			
Overall crime rate / 1,000 population	111	86	Performance above target.
Planning Services			
Percentage of major residential & commercial planning applications determined within 13 weeks	60.0%	65.4%	Performance above target.
Percentage of minor residential & commercial planning applications determined within 8 weeks	65.0%	84.8%	Performance above target.
Net number of new homes built (LAA)	210	77	Target not met, primarily impact of economic downturn.
Communications & Marketing Services			
Number of formal complaints received by Hastings Borough Council	150	207	Target not met, partly due to better recording of complaints.
Housing Services			
Number of homelessness acceptances	50	44	Performance above target.

Indicator	Performance 10/11		Comment
	Target	Actual	
Homelessness prevention - households who considered themselves as homeless, who approached the housing authority's housing advice service, and for whom housing advice casework intervention resolved their situation	337	1,190	Performance above target.
Number of affordable homes delivered	43	40	Target not met, although slippage is not significant.
Financial Services			
Percentage of Council Tax collected in year	96.0%	96.4%	Performance above target.
The percentage of non-domestic rates due for the financial year which were received by the authority	97.0%	98.0%	Performance above target.
Average number of days to process new Housing Benefit claims	25.0	23.7	Performance above target.
Average number of days to process Housing Benefit notifications of change of circumstance	12.0	10.7	Performance above target.
Personnel & Organisational Development			
The proportion of working days/shifts lost due to sickness absence	8.00	8.43	Target not met, although slippage is not significant.
The percentage of employees from minority ethnic communities within the authority's workforce	3.7%	4.3%	Performance above target.

Other published indicators

Indicator	Performance 10/11	
	Target	Actual
Environmental Health & Parking		
Number of planned food premises inspections carried out.	519	572
Percentage of people responded to within 5 working days when making a complaint about food purchased from a shop or catering establishment in the town.	95.0%	89.9%
Percentage of people responded to within 5 working days when making a complaint about the standards of hygiene at a food premises in the town.	95.0%	95.8%
Number of planned Health & Safety inspections carried out	141	198
Percentage Health and Safety complaints responded to within 5 working days - (% of people responded to within 5 working days when making a complaint about the standards of health and safety in a business premises in the town).	95.0%	91.5%
Percentage licensing complaints responded to within 5 working days	95.0%	94.4%
Percentage of domestic or commercial drainage complaints responded to within 2 working days	95.0%	91.6%
Percentage of requests for pest control services responded to within 4 working days.	95.0%	99.8%
Percentage Correspondence to Parking Services responded to in full within 10 days	95%	97%

Indicator	Performance 10/11	
	Target	Actual
Percentage of abandoned or untaxed vehicles reported that are responded to within 48 hours of reporting	96%	100%
Amenities, Waste & Leisure		
Annual usage of the East and West Hill Cliff Railways	220,000	181,531
Percentage Average capacity per show at the White Rock Theatre	35.0%	40.5%
Number of shows at the White Rock Theatre	195	240
Number of unique visits to Hastings Museum and Art Gallery website	70,000	111,525
Number of visitors to Old Town Hall Museum	18,000	24,466
The average number of failed bin collections (per 100,000 collections)	60	47
Residual household waste (kg per household)	520	537
Improved street and environmental cleanliness (levels of detritus)	10%	9%
Improved street and environmental cleanliness (levels of graffiti)	2%	2%
Improved street and environmental cleanliness (levels of fly-posting)	2%	0%
Percentage of overall customer satisfaction with Council Leisure Centres	80%	86%
Percentage of adults surveyed who regularly participate in sport or active recreation (LAA)	21.1%	18.5%
Regeneration and Community Services		
Domestic Burglaries per 1,000 households	8.2	6.2
Vehicle Crimes per 1,000 population	12.4	8.4
Serious Violent Crimes per 1,000 population	0.85	0.70
Serious Acquisitive Crimes per 1,000 population	17.6	12.6
Assault with Less Serious Injuries per 1,000 population (LAA)	10.00	7.77
Planning Services		
Percentage Site visits made on same day by Building Control	98.0%	99.9%
Percentage of appeals allowed against the authority's decision to refuse planning applications	35.0%	63.0%
Percentage of all other planning applications determined within 8 weeks	85.0%	90.5%
Percentage of new homes built on previously developed land and through conversion of existing buildings between 2006 and 2026	60%	80%
Percentage of Official searches of the Local Land Charges Register and Additional Information carried out within 5 working days	90.0%	98.5%
Percentage of Personal Searches of the Local Land Charges Register and requests for Additional Information carried out within 5 working days	90.0%	99.1%
Communications & Marketing Services		
Number of customers in Hastings Information Centre	330,000	275,430
Unique visits to Borough website	2,400,000	1,868,785
The proportion of alleged Hate Crimes reported that result in further action	100%	
Housing Services		
Number of homelessness acceptances / 1,000 households	1.3	1.1

Indicator	Performance 10/11	
	Target	Actual
The average length of stay in bed and breakfast accommodation of households which include dependent children or a pregnant woman and which are unintentionally homeless and in priority need. (Weeks)	1.3	0.9
Number of people sleeping rough or at imminent risk of rough sleeping that have been resettled as a direct result of intervention from the multi agency rough sleepers group	20	88
Number of households who have been assisted into private rented sector accommodation to prevent homelessness	40	49
Number of households living in temporary accommodation (LAA)	82	13
Number of households living in temporary accommodation / 1,000 population	2.1	0.3
Financial Services		
The percentage of invoices for commercial goods and services which were paid by the authority within 30 days of such invoices being received by the authority (BV008)	96.4%	97.1%
Internal Audit and Investigations		
Hastings & Rother Benefit Fraud Investigation Service - number of successful prosecutions and sanctions	65	91
Personnel & Organisational Development		
The percentage of top management that are women	26.7 %	37.1 %
The percentage of top management from minority ethnic communities	5.7 %	5.7 %
The percentage of top management declaring that they meet the Disability Discrimination Act 1995 disability definition	5.7 %	8.6 %
The percentage of employees retiring early (excluding ill-health retirements) as a percentage of the total workforce (BV014)	0.8 %	0.0 %
The percentage of employees retiring on grounds of ill health as a percentage of the total workforce (BV015)	0.6 %	0.0 %
The percentage of authority employees declaring that they meet the Disability Discrimination Act 1995 disability definition (BV016a)	5.7 %	7.8 %

Appendix 3

Progress towards the Council's key performance 0 indicators 2011/12

Indicator	30 June 2011		30 September 2011		Comment
	Target	Actual	Target	Actual	
Corporate Resources					
Percentage of Council Tax collected in year	35.4%	36%	63.1%	63.7%	Performance is ahead of target.
Percentage of non-domestic rates collected in year	37.8%	34%	63.4%	62.6%	Performance slightly down on target but improving.
Average number of days to process new Housing Benefit claims	22	14	22	13.5	Performance is well ahead of target
Average number of days to process Housing Benefit notifications of change of circumstance	10	5.3	10	4.8	Performance is well ahead of target
Environmental Health, Parking and Waste					
Improved street and environmental cleanliness (levels of litter)	4%	4%	4%	7%	Performing behind target, but is being monitored
Percentage of household waste sent for reuse, recycling and composting	28%	28%	28%	27.8%	Performance is in line with target
Percentage nuisance/general public health complaints responded to within 4 working days	95%	89.3%	95%	91.4%	Performance improving but still behind target. Continues to be monitored.
Percentage of food establishments which are broadly compliant with food hygiene law	85%	84.5%	85%	85.3%	Performance is in line with target
Number of crimes reported in Council car parks	8	0	8	3	Performance is well ahead of target
Amenities and Leisure services					
Number of people attending White Rock Theatre performances	18,520	9,876	26,740	15,825	Performance slipping further behind target. Continue to monitor.
Number of visitors to Hastings Museum and Art Gallery	8,357	7,755	18,750	19,411	Performance is in line with target
Total attendances at Council Leisure Centres	95,800	95,916	189,400	193,133	Performance is in line with target
Regeneration and communities services					
Overall crime rate / 1,000 population	27	23	55	46	Performance is well ahead of target
Planning services					
Percentage major residential & commercial planning applications determined within 13 weeks	60%	25%	60%	30.8%	Performance improving but considerably behind target.

Indicator	30 June 2011		30 September 2011		Comment
	Target	Actual	Target	Actual	
Percentage minor residential & commercial planning applications determined within 8 weeks	85%	89.6%	85%	86.2	Performance is in line with target
Percentage householder planning applications determined within 6 weeks	50%	83.3%	50%	71.4%	Performance is well ahead of target
Net number of new homes built	-	45	-	116	-
Number of neglected and derelict buildings improved	11	16	45	21	Performance slipping further behind target. Continue to monitor.
Communications and marketing services					
Number of customers in the Contact Centre	68,000	68,677	155,000	148,277	Continue to monitor.
Number of formal complaints received by Hastings Borough Council	38	41	75	87	Performance slipping further behind target. Continue to monitor.
Visits to the Borough website	-	323,150	-	553,075	-
Housing services					
Number of homelessness acceptances	12	17	25	30	Falling behind target. Continue to monitor.
Number of homelessness cases prevented	200	416	400	804	Performance is well ahead of target
Number of private sector dwellings (units) brought in line with the current statutory standard	45	27	85	45	Performance considerably behind target.
Number of affordable homes delivered	13	0	27	15	Performance improving but considerably behind target.
Long term (2+ years) empty properties returned to use	7	8	15	18	Performance is well ahead of target