

CORPORATE SERVICES SCRUTINY COMMITTEE

Thursday 27 June 2019

Present:

Councillor Sheldon (Chair)
Councillors Buswell, Hannaford, Mrs Henson, Lamb, Mitchell, M, Moore, D, Quance, A,
Vizard and Warwick

Also present:

Chief Finance Officer, Policy Officer (MP-J), Corporate Manager Democratic and Civic
Support and Democratic Services Officer (MD)

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MINUTES

The minutes of the meeting held on 28 March 2019 were taken as read, approved
and signed by the Chair as correct.

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DECLARATIONS OF INTERESTS

No declarations of disclosable interest were made.

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QUESTIONS FROM THE PUBLIC UNDER STANDING ORDER 19

No questions from members of the public were received.

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QUESTIONS FROM MEMBERS OF THE COUNCIL UNDER STANDING ORDER 20

No questions from Members were received.

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MODERN SLAVERY TRANSPARENCY STATEMENT

The Policy Officer presented the report, requesting that the Council adopt a Modern
Slavery Transparency Statement and to authorise the Council Leader and Chief
Executive and Growth Director to update and republish the document on an annual
basis.

She explained to Members that Section 54 of the Modern Slavery Act 2015, which
came into effect in October 2015, required commercial organisations with an annual
turnover of more than £36 million, to produce a modern slavery transparency
statement each financial year. Although there was no legal obligation for local
authorities to publish a statement, many had chosen to do so, to encourage ethical
business practices and policies and to protect employees from exploitation. The
publishing of the Statement represented a good practice, and set out what Exeter
City Council would do to protect its employees and contractors from exploitation.

Members were informed that other Local Authorities were also being encouraged to
publish transparency statements and that 86 Councils had currently done so.

In response to questions from Members, the Policy Officer explained that

- If modern slavery was identified in the city, Council staff were obligated to contact one of the Safeguarding leads who would call the Police and also contact the Environmental Health department. Environmental Health would carefully monitor the situation, however, it would be a resource intensive area. Modern Slavery will form part of the Safeguarding training provided to all staff.
- The Migrant Worker Action Group (MIGWAG), was comprised of various organisations, including Devon and Cornwall Police, Devon County Council and Exeter City Council. They provided support to people coming into the UK, who could be forced to work in illicit trades.
- The requirement was for suppliers with annual turnovers of more than £36 million to implement modern slavery related procedures. The figure had been set by central Government. The reasoning for that figure, could be confirmed by the Procurement Team, who would provide a response.
- The action requiring suppliers of goods and services to implement due diligence in relation to their own suppliers was only in relation to sub-contractors whose annual turnover exceeded £36 million. Confirmation could be confirmed by the Procurement Team.
- The figures for instances of modern slavery in Exeter and how they compared to other areas, would be provided by the Policy Officer.
- There was no legal requirement to adopt the statement, but it would be good practice to do so. Various local authorities who had adopted the statement had undertaken it differently, but its overall design was to protect people from exploitation. There would be no legal issues for the Council.
- The legislation commencement date would be confirmed to Members.

The Chair commented on the safeguarding training provided to all Licenced taxi drivers in Exeter, and the positive impact it had achieved. He explained that all discussion points raised during the agenda item would be provided to the Executive on 9 July.

The Corporate Services Scrutiny Committee noted the report and requested Executive approve:

- (1) The adoption of the Modern Slavery Transparency Statement 2019-20; and
- (2) The Leader and the Chief Executive be authorised to update and amend the document and republish on an annual basis.

OVERVIEW OF REVENUE BUDGET

The Chief Finance Officer presented the report for the Overview of Revenue Budget which advised Members of the overall financial position of the HRA & General Fund Revenue Budgets for the 2018/19 financial year. The report also sought approval for the General Fund working balance, HRA working balance, a number of supplementary budgets and the creation of new earmarked reserves.

Members were referred to the Housing Revenue Account (HRA) balance, which showed a deficit of £186,889 with an overall balance of £10,025,355, at 31 March 2019. The Chief Finance Officer confirmed that there had been less spending, no borrowing and changes made to the Capital Programme.

He referred to the General Fund balance, which showed an under-spend of £2,149,518 against the revised budget of £15,288,840 for Service Committees. There had been two major issues which had impacted on the under-spend during the financial year:-

- The Council had won an appeal for the business rates for the Royal Albert Memorial Museum (RAMM), earning £1million. The Valuation Office, then appealed against this appeal, resulting in the £1million being put on hold, until the outcome of the appeal.
- The agreed transfer of the Valley Parks to the Devon Wildlife Trust (DWT) and the fact that the legal paperwork could not be completed in the last financial year, delayed the agreed payment of £425,000. This had now been resolved.

He discussed the business rate income for the previous financial year, which was based on the 100% business rate pilot, and had generated £950,000 for the Council. The Government hadn't allowed for a second year for the 100% business rate for Devon local authorities. The Chief Finance Officer referred Members to the request for £2,344,257 supplementary budget detailed in the report, providing an overview for the request.

In response to questions from Members, the Chief Finance Officer explained that:-

- There were Section 106 agreements in place for some of the City's Parks and Green Spaces, however the matter was a legal issue. Members could address concerns about the closure of the City's Parks and Green Spaces, where Section 106 agreements were in place to the City Solicitor & Head of HR. A report was also being presented to Executive in July 2019 on the outcome of the consultation.
- The funding for the Council was part of the Government Fair Funding review and would be included as a risk in the Medium Term Financial Plan.
- The Accounts team would be notified about amending the details of the job roles listed in the report.
- Permanent Procurement Officers were now in post, meaning there should be no need for further consultancy spend.
- The £2,149,518 reported underspend partly related to the RAMM appeal, which was currently on hold. Once the outcome was known, it may then be used for potential key services across the city. The legal fees for the appeal may be up to £30,000.
- The £100,000 saving for play areas, was a standalone saving, following the advice from last year, for Council staff to look at ways of reducing expenditure. The current budget would not be reduced to take account of the under-spend from the previous year.
- The Leisure Compensation report would be presented to the Executive Committee on 9 July as a Part 2 item.
- Council Tax was not covered under the Chief Finance Officers area of responsibility, and following changes made to the accounting standards, there

had had been an increase to the bad debt provision. This was not a result of changes in performance of the teams, merely an accounting adjustment.

- The costs for the £50,807 unallocated Central Services, were placed there at the end of the financial year and were not considered to be a significant issue and had not been allocated.

A Member enquired about the terminology of a 'Key Decision' in the reports, which he considered to be misleading. Whilst it was confirmed that in general, key decisions only applied to decisions being taken by the Executive, it was agreed that the terminology used in the committee reports be considered as part of the forthcoming Governance Review.

Corporate Services Scrutiny Committee noted the report and requested Executive and Council to note and approve:

- (1) That the net transfer of £1,717,058 to Earmarked Reserves as detailed in paragraph 9.3.6 is approved;
- (2) That supplementary budgets of £2,344,257 be approved as detailed in paragraph 9.3.8;
- (3) That Earmarked Reserves at 31 March 2019 be noted;
- (4) That the Council Tax account and collection rate be noted;
- (5) That the outstanding sundry debt, aged debt analysis and debt write-off figures be noted;
- (6) That the creditor payments performance be noted;
- (7) By taking into account the overall financial position of the Council, the General Fund working balance at 31 March 2019, be approved at £4,395,024; and
- (8) That the Housing Revenue Account working balance at 31 March 2019 is approved at £10,025,355 and the Council Own Build working balance is approved at £274,855.

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CAPITAL OUTTURN

The Chief Finance Officer presented the report which advised Members of the Council's overall financial performance of the capital programme for the 2018/19 financial year and sought approval of the 2019/20 revised capital programme. Local authorities were required to estimate the total of capital expenditure that it planned to incur during the financial year. Capital expenditure was a significant source of risk and uncertainty, with cost variations, delays and changing specifications being often features of large and complex capital projects. The annual capital programme was updated every three months to show cost variations, changes or acceleration of projects, to help manage risk.

Members were referred to the changes to the Capital Programme since March 2019, listed in the report, highlighting that the in-year capital expenditure was £17,033,202 and had been reduced by £3million from budget. The capital expenditure had been divided into £10,835,944 for the General Fund Total and £6,197,258 for the Housing Revenue Account (HRA) Total.

The Chief Finance Officer highlighted the deferred schemes detailed in the report noting that Members could speak to the Project Managers to explain why a scheme was deferred. He referred Members to the requests for additional funding and explained each as follows:-

- £150,000 for the Energy Saving Projects, to support the new oil boiler replacement at the Corn Exchange and the LED lighting at John Lewis/Leighton

Terrace Car Park. These would be financed by Salix Finance Ltd who provided interest-free Government funding to the public sector to improve their energy efficiency.

- £50,000 for the agile and flexible working project, as part of the EX1 Internal Transformational Change Programme. It was proposed that the money be funded by Revenue Contribution to Capital Outlay, which was already set aside in the Transformation Fund.
- £11,000 to upgrade the Oracle Weblogic, to ensure Exeter City Council was in line with the PSN (Public Services Network) requirements and allow for required maintenance and updates.

He explained, that there was an additional request, which was not shown in the report, to approve an additional budget of £10million from the Capital Fund, to invest in potential commercial opportunities. The existing investment budget was being used and would provide support to the local economy and generate an expected annual income of £591,000, to the Council.

In response to questions from Members, the Chief Finance Officer and the Corporate Manager Democratic & Civic Support responded, that:-

- The purchase of the commercial office block, would be a multiple tenant building that would provide a good return on the investment. The capital receipts would partially offset the cost and allow for a smaller amount of borrowing.
- The Leisure Complex and Bus Station Construction had provisions in place and was carefully monitored, in the event that the contractors change. Contractors were never paid in advance, only upon completion of stages of the work.
- Council had previously approved £100,000 to the Pinhoe Community Hub and had paid £10,000 upfront. Further payments would be made to top up the float, until the work was completed, and the final invoices would then be received. This would ensure work was completed before future payments could be made. The Audit Managers could provide Members with receipts for the Pinhoe Community Hub.
- The Council did not usually purchase commercial properties, but there was a limited amount of commercial accommodation available in the city and wider considerations had been measured. The Council is only interested in investing in Properties that directly impact on the City and its Citizens.
- The additional budget request for the agile & flexible working project, covered the cost for providing suitable networking, as well as office furniture to create flexible working stations for staff, moving to the phase 2 building block.
- The loan from Salix Finance Ltd would be interest free to the Council.
- The cost of the Mallinson Bridge scheme, was more than what was currently budgeted for. Additional funding was being negotiated with Devon County Council, in which the Director (DB) could provide Members with additional information.

Members voted on the recommendations with one Member abstaining from voting on recommendations 1 and 2.

Corporate Services Scrutiny Committee noted the report and requested Executive and Council approve the following:-

- (1) The overall financial position for the 2018/19 annual capital programme;
- (2) The amendments and further funding requests to the Council's annual capital programme for 2019/20; and
- (3) An additional £10 Million to allow consideration of any further potential commercial opportunities if they arise.

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TREASURY MANAGEMENT

The Chief Finance Officer presented the report on the current Treasury Management performance for the 2018/19 financial year, and the position of investments and borrowings at 31 March 2019. There was a statutory requirement to publish regular reports on Treasury Management to Council, which included an annual Treasury Management Strategy, half yearly reports and a year-end report as a minimum requirement.

The Chief Finance Officer referred Members to the General Fund net interest position, highlighting that that £80,515 actual interest had been paid. He explained the savings made, stating that it had been a positive financial year, and that the Council could use the borrowing and repayment dates, to monitor repayments.

In response to questions from Members, the Chief Finance Officer explained that the Council only invested in fixed term amounts from banks. However who these banks dealt with, was a matter for themselves and as such could include third parties who dealt in fossil fuels. Other companies Exeter City Council were involved with, were Exeter City Living, Exeter Science Park, Strata and the Exeter Business Centre. The Council itself did not directly invest in Companies involved in fossil fuels.

Corporate Services Scrutiny Committee noted the Treasury Management report for the 2018/19 financial year and recommended the Executive and Council note the content of the report.

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BUDGET MONITORING REPORT

The Chief Finance Officer presented the 2018/19 budget monitoring report which advised Members of the material differences, by management unit, between the approved 2018/19 budget and the actual outturn for the Corporate Scrutiny Committee. The Council had a statutory responsibility to present a quarterly financial update, which set and monitored budgets during the financial year and to take required action as needed. He stated that the total variance for the year was £253,786, after transfers from reserves, which equated to 3.17% from the revised budget, and included £677,590 of the supplementary budgets agreed by Council.

The Chief Finance Officer stated that he would stop providing the budget monitoring report to future meetings and instead divide the Overview and Revenue Budget into two reports, covering the General Fund and HRA.

Corporate Services Scrutiny Committee noted the report and were assured that satisfactory actions were being undertaken by Officers to address the key areas of budgetary pressure, as highlighted in the report.

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MEMBERS' ALLOWANCES

The Corporate Manager Democratic & Civic Support presented the report on the allowances paid to Elected Members in 2018/19, as the Council had a statutory obligation to publish all allowances paid, and expenses claimed by Members each financial year. In response to a question from a Member, the Corporate Manager Democratic & Civic Support, explained that:-

- The figures provided in the report covered two municipal years and therefore showed figures for Councillors who had lost or given up their seats in May 2018; as well as those who were first elected at that time. This meant that there were more than 39 individuals listed, who had received a basic allowance, or partial allowance during the year.
- The number of Special Responsibility Allowances, paid during the year was less than 50% of the overall number of Councillors. It was noted that this was in-line with good practice and also with the recommendations of the Council's Independent Remuneration Panel.

Corporate Services Scrutiny Committee noted the allowances paid and the expenses claimed by Members in 2018/19.

(The meeting commenced at 5.30 pm and closed at 7.12 pm)

Chair

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