

4 **QUESTIONS FROM THE PUBLIC UNDER STANDING ORDER 19**

A period of up to 15 minutes will be set aside to deal with questions to the Committee from members of the public.

Details of questions should be notified to the Assistant Chief Executive at least three working days prior to the meeting. Further information and a copy of the procedure are available from Member Services (265275) also on the Council web site: <http://www.exeter.gov.uk/scrutinyquestions>

5 **QUESTIONS FROM MEMBERS OF THE COUNCIL UNDER STANDING ORDER 20**

To receive questions from Members of the Council to appropriate Portfolio Holders.

6 **ANNUAL AUDIT AND INSPECTION LETTER**

The District Auditor and Grant Thornton will present the Annual Audit and Inspection Letter to Members – *letter circulated* 1 - 16

7 **ANNUAL AUDIT FEE 2009-10**

The Council's External Auditor, Grant Thornton, will present the Annual Audit Fee Letter to Members – *letter circulated* 17 - 22

PERFORMANCE MANAGEMENT

***MEMBERS ARE REQUESTED TO ADVISE THE MEMBER SERVICES OFFICER OF ANY QUESTIONS OR ISSUES ON PERFORMANCE MONITORING REPORTS BY 9.00 AM ON THE DAY OF THE MEETING.**

8 **AIM PROPERTY MAINTENANCE PROGRESS REPORT 2008/09**

To consider the report of the Head of Contracts and Direct Services – *report circulated (Monitoring Schedule available on the Internet)* 23 - 26

9 **NATIONAL PI RESULTS 2007/8 - HOW EXETER'S RESULTS COMPARE**

To consider the report of the Director Corporate Services – *report circulated (Please bring the copy of the Statutory Performance Indicator Results previously sent to Members by the Policy Unit – copies available on the internet)* 27 - 30

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MATTERS FOR CONSIDERATION BY THE EXECUTIVE

18 **CORPORATE CUSTOMER SERVICES - PROPOSED REDUNDANCIES**

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19 **CORPORATE SERVICES DIRECTORATE SUPPORT - PROPOSED REDUNDANCY**

To consider the report of the Director Corporate Services – *report circulated to members* 103 - 104

DATE OF NEXT MEETING

The next **Scrutiny Committee - Resources** will be held on Wednesday 17 June 2009 at 5.30 pm

FUTURE BUSINESS

The schedule of future business proposed for this Scrutiny Committee and other Committees of the Council can be viewed on the following link to the Council's website: <http://www.exeter.gov.uk/forwardplan>
Councillors can view a hard copy of the schedule in the Members Room.

Membership -

Councillors Coates (Chair), D J Morrish (Deputy Chair), M A Baldwin, P J Brock, Hobden, Martin, Newton, Noble, Prowse, Robson, Shepherd, Thompson and Wardle

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Individual reports on this agenda can be produced in large print on request to Member Services on 01392 265111.



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Annual Audit and Inspection Letter

Exeter City Council

Audit 2007/08

March 2009



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Status of our reports

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

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

Key messages

- 1 The Council has delivered improvements in a number of its priority service areas including waste, culture and leisure and homelessness. The Council is reducing its carbon footprint and has raised the profile of climate change. It has supported residents with home improvements and has improved access to its services. The planning service did well to bring work on the important Princesshay development to a successful conclusion.
- 2 Performance in housing benefits and some elements of the planning service continued to deteriorate in 2007/08 and a number of performance indicators for these services are in the third and fourth quartiles.
- 3 The Council has performed well in delivering affordable housing in recent years but there was a slowdown in 2007/08 during difficult housing market conditions.
- 4 The Council has retained its overall score of 3 (out of 4) for use of resources. There will be a revised assessment from spring 2009 which is likely to be more challenging.
- 5 The Auditor issued an unqualified audit opinion on the Council's financial statements and a positive conclusion on its arrangements to secure value for money.

Action needed by the Council

- 6 The Council should:
 - monitor robustly continuing achievement of service improvements and address the performance issues in planning and housing benefits;
 - continue to consider innovative solutions to provide affordable housing; and
 - ensure that it is well positioned to meet the challenge of the revised Use of Resources assessment from Spring 2009.

Purpose, responsibilities and scope

- 7 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 8 I have addressed this letter to Councillors as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. I and the Auditor have made recommendations to assist the Council in meeting its responsibilities.
- 9 This letter also communicates the significant issues to key external stakeholders, including members of the public. I will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. (In addition the Council is planning to publish it on its website).
- 10 Your appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
 - the Council's accounts;
 - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
 - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 11 This letter includes the latest assessment on the Council's performance under the CPA framework, including my Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 12 I have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Exeter City Council performing?

13 Exeter City Council was assessed as Excellent in the Comprehensive Performance Assessment carried out in 2003. The following chart is the latest position across all district councils.

Figure 1 Overall performance of district councils in CPA



Source: Audit Commission

The improvement since last year - our Direction of Travel report

What evidence is there of the Council improving outcomes?

- 14 The Council is making progress in most priority areas, but not as strongly as other councils and there are exceptions. Overall 42 per cent of a basket of performance indicators (PIs) used by the Audit Commission improved over the year, which is below the average for all district councils (59 per cent). Thirty three per cent are in best quartile performance, which is the average of district councils. However, there are some priority services where performance has declined, for example, housing benefits and planning.
- 15 Performance in the waste service is good and has improved since last year. The Council has succeeded in reducing the amount of waste it collects and is one of the best performers nationally. Recycling continues to improve and during the year the Council achieved a recycling rate of 36 per cent. Satisfaction with waste collection and recycling is good. Recycling facilities have improved over the last year through investment, for example, in new equipment at the Materials Recycling Facility (MRF).

- 16 The Council is working well to reduce its own carbon footprint and levels of carbon emissions generally and is raising the profile of climate change in Exeter. Particular achievements include financial assistance for households on low incomes to install loft and cavity wall insulation, Smart-Meters for schools and a Heat Loss Survey of Exeter. Notably the Council's refuse collection vehicles have been powered by bio-diesel sourced from local chip fat; an alternative supplier is currently being sought to continue this initiative. It has also recruited 30 environmental champions from amongst staff, to help drive improvements and raise awareness.
- 17 The culture and leisure service is performing well. It has 83 per cent of PIs above best quartile compared to a district average of 37 per cent and satisfaction with this service is amongst the best nationally. The Council provides good facilities for local people and supports them to live healthier lifestyles. It is at the forefront of providing a comprehensive cycle network and provides free facilities across the city, for example tennis courts, football pitches, BMX tracks and paddling pools. Over the last year there has been an emphasis on delivering recreational areas for teenagers such as skate parks and ball courts. It has also improved play areas in the City, for example, by installing floodlights. It is enhancing and improving play areas in the City, for example, King's Heath. The Council is maintaining a level of service with regards to Museums despite the Museum being shut for major refurbishment. The Council is delivering outreach work for the Museum service which has been well received by the community, for example 'Living here' project.
- 18 The Council has historically delivered its housing programme well. Housing completions have exceeded targets for a number of years. In 2006/07, it completed 890 dwellings, 206 of which were affordable and nine were purpose built for people with disabilities. It has also used its own land to deliver affordable homes, for example, during the year it developed one and two bedroom apartments for the over 55's. It uses S106 monies effectively to help it deliver local improvements and affordable housing. However, due to current economic conditions the number of developers starting new build schemes has dramatically reduced, and only 57 affordable units were delivered in 2007/08. Officers are working with developers, local housing associations and the housing corporation to explore options for providing new properties including infill sites schemes on Council owned land.
- 19 The Council works hard to deliver home improvements for residents, for example through removal of asbestos, re-roofing and adaptations for the elderly, disabled and tenants with health issues. Over the last 12 months 490 properties had improvement works carried out.

How is Exeter City Council performing?

- 20** The Council works well in partnership to deliver better community outcomes with particular success in community safety. In partnership the Council has supported prolific offenders during the year to help them integrate into their community, for example through the PORCH Project (Prolific Offenders Resettlement through co-ordinated Housing). In particular the Council works well with the Community Safety Partnership and during the year the amount of alcohol related crime and violence in the City has reduced. It has also established with partners the Exeter Business against Crime initiative to control theft from city centre businesses. During the year two camera vans were also purchased to help improve community safety in the City. However, some successful diversionary projects for young people which were available in some of the most deprived wards, such as the inclusive holiday play scheme, no longer have funding and will cease next year.
- 21** The Council has improved some elements of its housing service, for example in dealing with homelessness. However, the length of stay in B&B accommodation is amongst the worst performers nationally although this is in part due to the Council's policies with respect to the intentionally homeless.
- 22** Performance in housing benefits has deteriorated over the last three years. Performance on a range of indicators in this service has declined, for example the average time to process changes in circumstances, and cases correctly processed meet DWP standards but are below district council averages. The average time to process new housing benefits claims has also declined and performance is in the third quartile. The Council has worked hard to improve the service recently, for example, the inclusion of the service within the Customer Service Centre and investment in staff training. The Council recognises that it needs to do more particularly as the workload is increasing in the current economic climate and the users of the service are the most in need.
- 23** The planning service did well to bring work on the important Princesshay development to a successful conclusion. The development has won awards and plays a significant part in the City's economy. Performance in planning has deteriorated across the majority of PIs. The percentage of 'other,' 'major' and 'minor' applications determined in time deteriorated and these are amongst the worst performers nationally or in the third quartile. Satisfaction of applicants with the planning applications service is in the worst quartile but the quality of service checklist scores well and performance regarding planning appeals allowed has improved in the last year and is good.
- 24** The Council provides good access to services and information through its website. The website is a popular method of access and in 2007 it was ranked top most used district council website in the country. The Council continues to improve its website, for example it now has the browse aloud tool which enables audio web pages making information more accessible for people with a visual impairment or reading difficulty.
- 25** Access to services has improved over the last year with improvements to the Customer Service Centre. There is now a 'one stop shop' dealing with the vast majority of enquiries from customers. The new Centre has the capacity to answer queries from customers on housing benefits, planning, housing, car parks and residents' parking, and environmental health. This now means that at least 80 per cent of all initial enquiries will be dealt with by the Centre staff without the need to call on others.

How is Exeter City Council performing?

- 26 The Council works well in partnership to deliver improvements in access to services. It has successfully led a Devon wide bid for Government money to provide an enhanced housing options service to people seeking housing across the county.
- 27 The Council is supporting people during the recession. It is currently funding a mortgage advisor to help people, free of charge, who are in arrears or who are finding it difficult to pay their mortgage.
- 28 The Council engages well with the community. It has a range of consultation methods, for example, it regularly consults citizens through Wavelength, a citizen's panel made of 1,000 people from all sectors of the community. It also runs Community Forums five times a year to give people the opportunity to talk to them and other agencies about issues that concern them. Notably it has created an elected Tenants and Leaseholders Committee to give residents from across the city a greater say in the management of their homes. The My Neighbourhood project is a good example of citizen participation in decision making and has been well received.
- 29 The Council has a good equality and diversity policy in place, The Comprehensive Equality Plan 2007-2010. The City Council is committed, both as an employer and as a deliverer of services, to ensuring that no recipient of services provided by the Council receives less favourable treatment on any grounds. It has, however, only achieved level 2 of the equality standards for local government whereas a third of councils are now at level 3.
- 30 Overall, the Council continues to provide value for money when compared to its nearest neighbours. Council tax rates remain relatively low as are the costs of delivering services. Higher comparative costs in some areas, such as culture, homelessness and community housing, reflect the Council's commitment to these services. Satisfaction levels across services are relatively high. It continues to exceed its Gershon savings targets and there are clear responsibilities for the efficiency agenda with heads of service challenging service efficiency through service improvement portfolios.

How much progress is being made to implement improvement plans to sustain future improvements?

- 31 There are good plans in place that are aligned with corporate strategies. For example the links between the Council's Corporate Plan and the Exeter Vision are clear. Plans are robust and based on local need. There are also good plans in place for further city regeneration, for example planning proposals for a mixed use re-development of Exeter Bus Station.
- 32 Future investments are planned to create new science-based businesses, so maintaining economic growth, job availability, improving the quality of local employment and resultant impact on economic, social and environmental well-being. For example The South West of England Regional Development Agency (RDA) will invest up to £19 million to enable the purchase of a site to provide the infrastructure to open up the Science Park by 2010. The Science Park will play a key role in creating new jobs. It will also strengthen the economy of the area by building on the scientific base provided by the University of Exeter and the Met Office.

How is Exeter City Council performing?

- 33** The Council is experiencing difficulty in delivering its plans due to the current recession. Negotiations are continuing in relation to the £5 million deposit with two Icelandic banks but it is still unclear how much of the money is likely to be returned to the Council. The Council's financial position is coming under further pressure because income is reducing in areas such as car parking and planning and some expenditure has increased. In particular, the Council's compulsory contribution to free bus travel for the elderly is £1.3m more than has been centrally provided. Consequently the Council is having to manage significant cost reductions to deliver its budgets and is undertaking a fundamental review of its capital programme although reductions in capital work could also impact on the local economy.
- 34** Performance is monitored closely and there are good arrangements in place. The software used is robust and a responsible officer is assigned to each performance indicator who ensures the integrity of the data and provides any feedback on performance. Heads of service verify figures and there are regular meetings of directors to discuss and challenge performance. There are good relationships between officers and portfolio holders where performance is discussed in depth, a good example being housing. Good challenge is provided by portfolio holders too.
- 35** The Council aims to ensure it has the right capacity to deliver its services through investing in staff well being. Sickness absence continues to be closely monitored and managed and the Council continues to provide its workplace health programme 'Be Active 4 Life'. The Council has also demonstrated its commitment to the mental health of its employees by becoming the 250th employer to sign the Mindful Employer Charter. The Charter commits employers to making positive changes in the way they recruit, support and work with people with mental health issues.
- 36** The Council plans to improve the capacity of its workforce through investment in training and development. A comprehensive package of training and development is provided for all staff. Also a new Institute of Leadership Management (ILM) registered Management Development Programme has been approved for introduction in 2009.
- 37** Uncertainty regarding future local government structures in Devon provides a risk for councils involved that they will be diverted from their focus on service improvement. The Council needs to ensure that, whilst it participates fully and appropriately in the debate and possible preparations, it is not distracted from the need to continue delivering improved outcomes for its local people.

The audit of the accounts and value for money

- 38 Your appointed auditor has reported separately to the Council's special accounts committee on the issues arising from his 2007/08 audit and has issued:
- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 29 September 2008; and
 - a report on the Best Value Performance Plan confirming that the Plan has been audited.
- 39 The Council prepared good quality financial statements, in line with the statutory requirements. A small number of significant audit adjustments were identified, relating to the recognition of commercial rent income and the presentation of the Housing Revenue Account balances within the consolidated statements. The Council took action, during the course of the audit, to address these issues and improve arrangements for future years.
- 40 The overall quality of the Council's working papers to support the 2007/08 accounts was good and requests for additional supporting documentation, as well as audit queries, were responded to promptly. The auditor will continue to work with the finance team to improve further the underlying information to support the accounts as part of the audit processes.

Use of Resources

- 41 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
 - Financial management (including how the financial management is integrated with strategy to support council priorities).
 - Financial standing (including the strength of the Council's financial position).
 - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
 - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 42 For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 1

| Element | Assessment |
|---|-------------------|
| Financial reporting | 3 out of 4 |
| Financial management | 3 out of 4 |
| Financial standing | 3 out of 4 |
| Internal control | 3 out of 4 |
| Value for money | 3 out of 4 |
| Overall assessment of the Audit Commission | 3 out of 4 |

Note: 1 = lowest, 4 = highest

The key issues arising from the audit

- 43 The overall quality of supporting working papers was good. A small number of significant adjustments were required in respect of commercial rent income and Housing Revenue Account balances. The Council met its requirement for external accountability through inclusion of key financial information in the Corporate Plan. However, local arrangements would be enhanced by formalising the arrangements for the consultation of local stakeholders on whether current reporting arrangements meet their requirements.
- 44 The Council has good financial management arrangements. The medium-term financial plan is linked to the corporate business plan, capital programme and overarching community strategy. Key corporate objectives are linked to service plans and budgets and a comprehensive and balanced revenue budget was set for the year. There are robust arrangements in place for managing performance against budgets, and monitoring reports include financial and non-financial data. Progress in achieving planned savings and efficiency gains is regularly reported.
- 45 Arrangements for the management of assets improved during the year. The Council has an asset management plan in place and there are sound arrangements for identifying and managing property maintenance. Whole life costing and option appraisal work has been undertaken selectively and there is an opportunity for the Council to use these techniques for all major investment and disposal decisions.
- 46 The Council continues to maintain a sound financial standing. Treasury management arrangements remain robust, and the Council regularly monitors its performance on collection rates in areas such as council tax, housing rents and car park income. However, like many other councils, the Council had a number of investments in Icelandic banks that have now ceased trading. The Council has maintained levels of reserves which are above its own target although there are plans in place to utilise these reserves to meet specific future financial pressures. Nonetheless, there is an opportunity for the Council to determine more formally the level of its reserves as a range, based on a clear assessment of local risks and developments, rather than as a fixed percentage.

- 47 The Council continues to maintain effective risk management arrangements. Arrangements for identifying and managing risk are sound. A corporate risk register is in place and there is member and officer involvement in the assessment and management of risk.
- 48 There are sound systems of internal control in place. The Council has an assurance framework and local arrangements have been assessed through the Annual Governance Statement. Internal audit is effective and key control documents such as standing orders are reviewed annually. The basic role of an audit committee is undertaken by the Scrutiny Resources Committee. Arrangements for ensuring probity and propriety are sound.
- 49 The Council maintains codes of conduct for members and staff and monitors compliance with those codes. It has participated in, and made effective use of, the National Fraud Initiative data matching process for 2007/08. Policies are in place for counter-fraud/corruption and 'whistle-blowing' and the Council is proactive in raising standards of ethical behaviour. The Council would benefit further from considering the use of the Ethical Governance diagnostic toolkit.
- 50 The Council continues to have sound arrangements for achieving and improving value for money. Council tax rates remain very low when compared to similar councils, and any areas of higher cost (for example, community housing) generally reflect local commitment to those services. Other areas of higher cost and/or lower performance are being addressed. The Council has sound arrangements for monitoring and reporting on costs and performance and service improvements are sought through best value reviews. Responsibilities for the efficiency agenda are clear, and heads of service regularly challenging service efficiency. The Council continues to respond to local needs through a range of well-established mechanisms, including a citizens panel.

Data Quality

- 51 The Council has adequate arrangements in place to ensure the quality of the data it uses for corporate decision-making. The detailed review of two housing benefit performance indicators identified that these were both fairly stated. However, there are a number of areas where the Council could improve its data quality management arrangements, including development of embedded risk processes for data quality within departments and the formalising of job descriptions for staff with specific responsibility for data quality.

Review of arrangements for meeting climate change and waste management requirements

- 52 The auditor concluded that the Council has in place an appropriate strategy and targets for waste management, which recognise the changing legislation and consequent changing demands on the Council and its partners, in respect of recycling and waste reduction. The objective and targets are revisited annually, with appropriate member involvement. The Council has considered risk, particularly in respect of the Materials Reclamation Facility.

The audit of the accounts and value for money

- 53 He was also satisfied that the Council has made good progress in establishing sound arrangements for addressing the issue of climate change. Clear strategies and monitoring arrangements are in place and the Council has recognised its role as a community leader.
- 54 The Council could enhance local arrangements further by ensuring that all the strategic and operational risks associated with meeting waste/recycling and climate change targets are identified and included within corporate risk registers, and that arrangements are then established to mitigate these risks.

Dealing with the public

- 55 Following the Boundary Commission's consultation on a proposed new unitary authority in Devon, the Council launched a publicity campaign to oppose the proposals and promote a unitary Exeter option. This campaign included direct mailings to local residents, poster campaigns, a dedicated web site and a range of other media and publications. As a result of the Council's actions, the Auditor received a number of letters of complaint and concern from local electors within Exeter over the legitimacy of the approach and the expenditure being incurred. To address these concerns, we have assessed how the Council has complied with the Code of Publicity, which provides guidance on how local authorities should use publicity. To ensure that his response was appropriate and proportionate, he also liaised with the appointed auditors of other local authorities within Devon.
- 56 Overall the Auditor concluded that the Council had broadly complied with the Code on Publicity, although some of the information could be criticised as lacking appropriate balance and did not present an impartial, informative view. Indeed, some of the approaches to publicise the issue, such as the use of bill posters, precluded the ability to do this and instead focused on a headline message to promote debate, although reference was made to where alternative information could be obtained. The Auditor took the view that it was not in the public interest to pursue this matter further but did reinforce to the Council the need to ensure that all of its communications complied fully with the Code on Publicity.

Looking ahead

- 57 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 58 CAA will result in reduced levels of inspection and better co-ordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 59 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspects of each area's Local Area Agreement.

Closing remarks

- 60 This letter has been discussed and agreed with the Chief Executive and Director, Corporate Services. A copy of the letter will be presented at the Resources Scrutiny Committee on 25 March 2009. Copies need to be provided to all Council members.
- 61 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 2 Reports issued

| Report | Date of issue |
|---|----------------|
| Audit and inspection plan | March 2007 |
| Interim audit memorandum | April 2008 |
| Annual Governance Report | September 2008 |
| Opinion on financial statements | September 2008 |
| Value for money conclusion | September 2008 |
| Arrangements for meeting Government requirements on waste management and climate change | December 2008 |
| Use of Resources and Data Quality Report | January 2009 |
| Annual audit and inspection letter | March 2009 |

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- 62 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

- 63 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

Martin Green
Comprehensive Area Assessment Lead

March 2009

The Audit Commission

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

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

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

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2nd March 2009

Dear Glyn

ANNUAL AUDIT FEE 2009-10

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2009-10 financial year at Exeter City Council. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2009-10; and
- reflects only the audit element of work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Lead will be writing to you separately on inspection fees.

As I have not yet completed my audit for 2008-09 the audit planning process for 2009-10, including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary.

The Audit Commission has clarified their expectations with regard to the statutory basis of the audit fee setting process. If everything else is equal, the fee payable is the scale fee, and any variation to the scale fee needs to be justified on the ground of more or less work being undertaken than is envisaged within the scale fee.

The Audit Commission has published its work programme and scales of fees 2009-10. The scale fee for Exeter City Council is £123,844. We propose a total indicative fee of £117,652 (exclusive of VAT). This represents a discount of 5% against the scale fee which reflects the Council's strong performance in recent years with regard to your use of resources arrangements. This compares to the planned fee of £103,505 for 2008-09. A summary of this is shown in the table below.

Audit fee

| Audit area | Planned fee 2009-10 | Planned fee 2008-09 |
|---|--------------------------------|--------------------------------|
| Financial statements | 69,500 | 64,600 |
| Use of Resources/VFM Conclusion [including risk based work] | 48,152 | 38,905 |
| Total audit fee | 117,652 | 103,505 |
| Certification of claims and returns | 20,000 | 20,000 |

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2008-09. A separate plan for the audit of the financial statements will be issued in December 2009, once the outcomes of the 2008-09 audit are known. This will detail the risks identified, planned audit procedures and any changes in fee. The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report outlining the reasons why the fee needs to change for discussion with the Resources Scrutiny Committee.

My use of resources assessments will be based upon the evidence from three themes:

- managing finances;
- governing the business; and
- managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009-10. My work on use of resources informs my 2009-10 value for money conclusion. However, I have identified a number of potential significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below:

| Risk | Planned work | Timing of work |
|---|--|-----------------------|
| The decision on the future of the unitary structure in Devon has been delayed until July 2009, whilst further work is undertaken by the Boundary Committee to assess the impact of the proposals across the whole county . This has caused much uncertainty across the Council and there is a risk that this will have an adverse impact on staff and the ongoing delivery of services. | We will continue to review the progress and proposals of the Boundary Committee for England and discuss specific audit work with the Council depending on the nature of these proposals. | June - November 2009 |

| Risk | Planned work | Timing of work |
|--|--|--------------------------------|
| <p>The introduction of the concessionary fares scheme has created £1.5m of additional cost pressures for the Council in 2009-10. This will present significant challenges to the Council in the delivery of its revenue budget.</p> | <p>We will continue to monitor the Council's financial position throughout the year and its progress in its appeal to Government for recompense for the elements of the concessionary fares scheme that are unfunded. We will also, as part of our Use of Resources assessment under the 'Managing Finances' theme, assess the adequacy of the Council's arrangements to respond to these financial pressures and how they intend to deliver efficiencies to manage this position.</p> | <p>April 2009 - March 2010</p> |
| <p>The current economic climate is adding increased pressure on the Council's financial plans. Low increases in the financial settlement, reduced government funding, lower income from areas such as car parking, planning fees and investment income, and the overall economic uncertainty, and likely increases in demand for services requires very robust financial management. There is a risk that arrangements do not identify key deviations in a timely way to enable remedial action to be taken.</p> | <p>We will review, as part of the 'Managing Finances' theme how the Council manages its finances over the medium term to ensure that its spending remains in line with its available resources.</p> | <p>March 2010</p> |
| <p>The Council has postponed the delivery of £5m of projects within its capital programme, whilst they await a decision on any financial reimbursement from their investments previously held in Icelandic Banks. There is a risk that the delay of these capital schemes will have an impact on the delivery of community and service priorities.</p> | <p>We will assess the impact of the decisions made in relation to the Icelandic bank investments and how the value of these investments should be reflected in the Council's accounts. We will also review the Council's delivery of its capital programme and the impact of this on stakeholders as part of our 'Managing Resources' theme.</p> | <p>June - Sept 2009</p> |
| <p>The Council has incurred additional costs and delays in the development of the Royal Albert Memorial Museum, due to the technical complexities of the project. There is a risk that extra cost pressures are identified and that there maybe further delays in the development and final delivery.</p> | <p>We will review the Council's project management and risk management arrangements as part of our use of resources assessment. We will continue to monitor the delivery of this project through review of the quarterly progress reports to the Resources Scrutiny Committee.</p> | <p>March 2010</p> |

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

The above fee excludes any work requested by you that we may agree to undertake using our advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The Audit Manager supporting me in the delivery of the Council's audit is Julie Masci, who can be contacted on 0117 305 7696.

I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact the Head of Government Audit, Richard Tremeer at richard.tremeer@gtuk.com.

Yours sincerely

A handwritten signature in black ink, appearing to read "Barrie Morris". The signature is written in a cursive, flowing style.

BARRIE MORRIS
DIRECTOR AND ENGAGEMENT LEAD

c.c. Andy Stark, Head of Treasury
c.c. Councillor Jeff Coates, Chair of the Resources Scrutiny Committee

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Resources Scrutiny committee.

Table 1

| Planned output | Indicative date |
|--|------------------------|
| Audit plan | December 2009 |
| Interim Audit Report | April 2010 |
| Annual governance report | September 2010 |
| Auditor's report giving the opinion on the financial statements and value for money conclusion | September 2010 |
| Use of resources report | September 2010 |
| Annual audit letter | November 2010 |
| Grants certification report | December 2010 |

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 25 MARCH 2009

AIM PROPERTY MAINTENANCE PROGRESS REPORT 2008/2009

1 PURPOSE OF THE REPORT

- 1.1 This is the third quarterly report, covering the period from October to December 2008. (but including updated figures at 17 February 2009). The report details the financial position of the £7m programme of reactive and planned property maintenance and refurbishment. This report covers just Revenue funded housing and non-housing schemes as approved by Council for the financial year 2008/2009. In some cases this programme further includes budgets for schemes rolled forward from 2007/2008. Where necessary this report will provide specific details on significant programme variations.

2 BACKGROUND

- 2.1 The Council approved the following:

| | £ |
|---------------------------------|-----------|
| (a) Housing Reactive Repairs | 3,419,600 |
| (b) Housing Servicing Contracts | 625,710 |
| (c) Housing Maintenance Works | 568,500 |
| (i) Service Recharges | 276,630 |
| (h) Lease Requirements | 101,330 |
| (d) AIM Priority Programme | 1,007,840 |
| (j) AIM Reactive Repairs | 515,760 |
| (g) AIM Service Contracts | 352,530 |
| (k) AIM Operational Essentials | 123,790 |

Total £ **6,991,690**

- 2.3 The current level of spending against the specifically monitored budgets in 2008/2009 above presently indicates underspend of £106,000 overall (1.5%).

A copy of the full financial monitoring report is available on the Intranet.

HOUSING

- 2.4 **Housing Reactive Repairs Generally – overall budget £3,419,600**

This budget is split into eight separate parts in order to better raise and monitor orders and control work and costs. As all these provisions are for works of a reactive nature it is difficult to predict the extent or pattern of likely expenditure in the year. However, based on the present rate of spending, a projected overspend of some £209,000 is likely to be sustained. Such a prediction arises due to a general increase in the cost of repairs and an increased amount of reactive repair orders issued. Nevertheless such overspend has effectively been negated due to savings on other revenue based budgets and the use of contingency funds allocated for Housing Services

2.5 **Gas and Central Heating Servicing – budget £515,000**

This budget is set to provide the statutory requirement to inspect and service gas appliances in tenanted properties on an annual basis. Over time, whilst the actual cost in carrying out such servicing work has risen, costs have also risen due to the increasing numbers of gas appliances fitted as a result of the extensive central heating installation programme. The present rate of spending suggests that overspend in the order of £35,000 is likely, but such overspend is compensated by use of contingency sums.

2.6 **Lift Maintenance – budget £12,730**

This budget was originally set to cover for repairs and maintenance work ostensibly to passenger lifts. However, with the amount of repairs needed this year it is likely that the budget will be overspent. This situation has somewhat been exacerbated because a number of stair lifts have since been installed to tenanted properties. So, after warranty period, the amount of repair work required in respect of these stair lift installations has increased expenditure against this budget. Overspend of some £6,000 is predicted.

NON-HOUSING

2.7 **City Wall repairs – budget £66,800**

This budget was set to repair the City Wall at various locations. However, more repair work from further inspection has since been identified, particularly from having to relocate certain utility services, such that additional costs of some £16,000 are likely to be incurred. Nevertheless this overspend can be compensated by projected savings elsewhere within the non-housing programme.

2.8 **Non-Housing Reactive Repairs Generally – overall budget £515,760**

This budget is split into ten separate parts in order to better raise and monitor orders and control work and costs. As all these provisions are for works of a reactive nature it is difficult to predict the extent or pattern of likely expenditure in the year. Consequently whilst three of these part budgets indicate overspend, based on spending rate, this is more than compensated by projected underspend elsewhere within the overall budget provision for reactive repairs.

2.9 **Operational Essentials Generally – overall budget £123,790**

This budget is split into four separate parts in order to properly allocate requisite amounts to certain facilities. This allows facility managers to have transparent financial support to enable them to more quickly and easily organize repair and maintenance issues to keep facilities open and safe for the public. Again, repair issues are difficult to predict and therefore financial provisions can prove to be adequate or less so. Consequently one of these budget parts, specifically relating to the Canal provision, shows overspend but this is more than balanced by controlled underspend elsewhere within the overall budget for operational essentials.

3 RECOMMENDED

- (1) that the third quarter financial position of the £7m programme of reactive and planned property maintenance and refurbishment for 2008/2009, as detailed above be noted.

HEAD OF CONTRACTS AND DIRECT SERVICES
HEAD OF HOUSING
HEAD OF ESTATES
HEAD OF TREASURY SERVICES

S:PA/LP/ Committee/309SCR1
19.2.09

COMMUNITY & ENVIRONMENT DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling this report:
None

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 25 MARCH 2009

NATIONAL PERFORMANCE INDICATOR RESULTS 2007/2008 HOW EXETER'S RESULTS COMPARE

1. PURPOSE OF REPORT

- 1.1 A full analysis of Exeter's performance indicator results for 2007/08 has been sent to Members under a separate cover. This report provides an overview of the performance of those services covered by this committee. The other two Scrutiny Committees receive a similar report covering services within their remit.

2. BACKGROUND

- 2.1 Exeter's performance indicator results for 2007/08 were published in the Corporate Plan. The Audit Commission subsequently published audited comparative data in December 2008.
- 2.2 The graphs contained within the detailed analysis compare Exeter's results against authorities in the Council's benchmarking group and therefore provide a comparison against other broadly similar councils. (Audit Commission family grouping)
- 2.3 The graphs have been arranged in ascending order. Exeter's results are highlighted on each.
- 2.4 For all local authorities, results for BVPI 78a (Average time to process new benefit claims) and BVPI 78b (Average time taken to process change in circumstances) are still being verified by the Audit Commission and as a result, have not yet been published.
- 2.5 The Audit Commission uses national upper and lower quartile figures as benchmarks against which to judge service performance. The detailed analysis also shows quartile figures for all English district councils against each graph. Services should generally be aiming to be in the top quartile (i.e. the best performing 25% of councils in the country).

3. RESULTS OVERVIEW

- 3.1 Exeter is in the top quartile for 19 indicators out of a total of 59 where comparisons are possible (32%), compared to 20 out of 65 (30%) last year. It is in the bottom quartile for 10 indicators, compared with 9 last year.
- 3.2 This year has seen improvement in 25 indicators with 6 of these achieving a higher quartile rating than last year. The 6 indicators which have achieved a higher quartile rating are within the Community and Environment Directorate. However, 25 indicators show a lower performance than last year, with 12 achieving a lower quartile rating than last year.

- 3.3 Out of the 18 comparable indicators that fall within the remit of this Scrutiny Committee, 2 have yet to be reported (as explained above), 1 has improved since last year, 4 have stayed the same and 11 have poorer performance. These are BVPIs 8, 10, 11a, 12, 14, 15, 16a, 17a, 79a, 79b(i) and 79b(ii).

Council Tax and NNDR

- 3.1 The percentage of Non Domestic Rates collected (BVPI 10) dropped slightly from 99% in 2006/07 to 98.75% in 2007/08, maintaining Exeter's position in the third quartile and placing Exeter second from bottom in its benchmarking group. However, there is less than 1% separating the upper and lower quartiles. This slight decrease in performance is due to the late notification from the Valuation Office in respect of the Princesshay redevelopment. This meant that some bills could not be sent until towards the end of the financial year, resulting in a delay in payment from some businesses.

Staffing

- 3.2 The percentage of top 5% earners that are women (BVPI 11a) has dropped from 21.57% in 2006/07 to 18.00% in 2007/08 causing Exeter to drop from the third to the bottom quartile. This reduction equates to one senior female employee leaving and being replaced by a male applicant. The national top quartile figure is 35.3%.
- 3.3 The percentage of employees retiring early, excluding ill-health retirements (BVPI 14) has risen from 0% in 2006/07 to 0.96% in 2007/08. This has resulted in Exeter dropping from the top to the bottom quartile. The percentage of employees retiring on the grounds of ill health (BVPI 15) has also risen from 0% in 2005/06 to 0.12% in 2006/07. These rises can be attributed to a number of efficiency and early retirements that were agreed through the management of change and reorganisation.
- 3.4 The percentage of local authority employees with a disability (BVPI 16a) dropped slightly from 3.73% to 3.34%. Worcester is the best performing authority in the benchmarking group reporting a figure of 8.8%. The percentage of local authority employees from minority ethnic communities (BVPI 17a) also dropped slightly from 1.1% in 2006/07 to 1.0% in 2007/08.
- 3.5 It should be noted that these BVPIs have been deleted by the Government because they no longer provide useful information but they will be retained by the Council as contextual information.

Sickness

- 3.6 The number of days lost due to sickness absence (BVPI 12) rose very slightly from 9.15 days in 2006/07 to 9.16 days in 2007/08. However, Exeter remains in the second quartile and is fifth from top in its benchmarking group. Shrewsbury and Atcham report the best performance with only 5.6 days being lost.

Invoices

- 3.7 The percentage of undisputed invoices paid on time (BVPI 8) has dropped very slightly from 95.73% in 2006/07 to 95.58% in 2007/08.

Benefits

- 3.8 The proportion of benefit claims processed correctly (BVPI 79a) dropped from 97.6% in 2006/07 to 97.0% in 2007/08 causing Exeter to fall from the third to the fourth quartile. The Benefits section underwent significant changes in 2007/08 such as the introduction of homeworking and the move into the Customer Service Centre. This is likely to have had an impact on performance. This indicator will no longer be collected after 2007/08
- 3.9 The amount of Housing Benefit overpayments recovered as a percentage of all Housing Benefit overpayments (BVPI 79bi) has fallen from 76.64% in 2006/07 to 75.72% in 2007/08. Shrewsbury and Atcham report the highest recovery rate with 97.94%. The Council's overpayment recovery process has been reviewed and improvements have been introduced. This is reflected in the figures to date for this current financial year.
- 3.10 The Housing Benefit overpayments recovered as a percentage of the total amount of overpayment debt outstanding at the start of the year, plus the amount of overpayments identified during the year (BVPI 79b (ii)) fell from 36.31% to 35.95% in 2007/08 but Exeter remains in the second national quartile.

4. RECOMMENDATION

- 4.1 That Members consider the report and indicate whether they wish to receive any further information on any particular issue(s).

GLYN BELLERBY
DIRECTOR CORPORATE SERVICES

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended) Background papers used in compiling the report:

1. National Performance Indicator Results - December 2008

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EXETER CITY COUNCIL
SCRUTINY COMMITTEE - RESOURCES
25 MARCH 2009

RESOURCES SCRUTINY STEWARDSHIP TO 31 DECEMBER 2008

1. PURPOSE OF REPORT

This report advises members of any major differences by management unit to the revised budget.

2. STEWARDSHIP TO 31 DECEMBER 2008

2.1 The current outturn forecast suggests that net expenditure for this committee will decrease from the budget by a total of £562,110 which represents a variation of 3.16% from the revised budget.

2.2 The main variations by management unit are detailed below:

| | £ |
|--|------------|
| 2008-2009 REVISED BUDGET | 17,775,000 |
| 86A1 REVENUE COLLECTION / BENEFITS | (158,010) |
| It is estimated that there will be an overall decrease in Housing Benefit cost partly due to a change in net subsidy for 2008/09. | |
| 86A2 ELECTIONS AND ELECTORAL REGISTRATION | (2,000) |
| There is a small change in capital charges for this management unit. | |
| 86A3 CORPORATE | 3,140 |
| A revised scale of fees for external audit work to be carried out during the year will result in an increase in costs but this has been largely offset by the recovery of some bank charges through fees. | |
| 86A4 CIVIC CEREMONIALS | (42,670) |
| There has been an increase in depreciation charges for the Guildhall following a revaluation. It is estimated that by the end of the financial year works being undertaken to the Guildhall through the A.I.M. programme will be £45,000 less than the budget; £24,000 being slippage to 2009-10 and £21,000 an underspend. | |
| 86A5 DEMOCRATIC REPRESENTATION | (6,570) |
| It is expected that there will be an underspend on Members' Expenses by the end of the financial year. | |
| 86A6 GRANTS/CENTRAL SUPPORT/CONSULTATION | (56,180) |
| An estimated £17,000 grants funding will be requested to be carried forward to 2009-10 to meet future commitments. | |

Financial contributions from our partners towards some of our Community Safety administration costs will reduce expenditure.

| | | |
|---|---|-------------------------|
| 86A7 UNAPPORTIONABLE OVERHEADS | There is a small increase due in payments to the pension fund administered by Devon County Council to meet the approved cost of early retirements and redundancies. | 1,280 |
| 86A8 CHIEF EXECUTIVE SERVICES | Savings have accrued from vacancies and some project work with an estimated value of £19,000 will be requested to be carried forward to 2009-10. | (52,860) |
| 86B1 TREASURY SERVICES | Vacancies and the review of duties and posts have resulted in savings in employee costs. Additional one-off government grant has been received in respect of introducing changes in empty property rate relief reforms. Capital charges for Accountancy Services and Benefits have increased as a result of the investment in these services in 2007-08. | (145,900) |
| 86B3 HUMAN RESOURCES | There has been an increase in the cost of software licences due to the upgrade in the system and an expansion of on-line services. There has been a small increase in the number and cost of training courses. | 14,310 |
| 86B4 LEGAL SERVICES | There are no material variances to report. | (1,320) |
| 86B5 CORPORATE CUSTOMER SERVICES | The A.I.M. programme for the Civic Centre is expected to be underspent by £115,000 at the year end, with some of this being slippage in to 2009-10. As a result of an upgrade in the telephony IT, there will be a saving in the maintenance costs. Some of the capital investment in IT systems for information management has been reclassified and been transferred to the IT Services management unit, see below. | (143,150) |
| 86B6 IT SERVICES | Some of the capital investment in IT systems for information management has now been classified as being part of the infrastructure and therefore falls within this management unit. | 27,820 |
| 2008-2009 EXPECTED FINAL OUTTURN | | <hr/> £17,212,890 <hr/> |

3. RECOMMENDATION

- 3.1 That the Scrutiny Committee - Resources note this report.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

None

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 25 MARCH 2009

EXECUTIVE
7 APRIL 2009

OVERVIEW OF GENERAL FUND REVENUE BUDGET 2008-09

1. PURPOSE OF THE REPORT

- 1.1 To advise Members of the overall projected financial position of the General Fund Revenue Budget after nine months, for the 2008-09 financial year.

2 GENERAL FUND – Appendix A

- 2.1 The Service Committee budgets shows a forecast over spend of £444,550 (2.3%) against a revised budget of £19,633,140. This is an improvement compared to the previous overview report for the first six months that showed a forecast overspend of £1,251,630. The main movement has occurred within Scrutiny Committee Resources for which there is now a predicted underspend of £562,110 as compared to the small overspend of £37,650 reported previously.
- 2.2 In line with CIPFA requirements, the Council operates a five year revaluation cycle of Council land and buildings. During April 2008, all General Fund operational properties were revalued causing, in the vast majority of cases, the value of the asset to increase. As budgets for depreciation were set on the old valuations, this means that the actual charge for depreciation in service accounts is higher than the original budget. In line with Government statute, the amounts charged to services for depreciation is reversed out of the accounts and replaced with a charge to reflect the cost of borrowing. These are notional charges which have no impact on Council Tax calculations.
- 2.3 Details of the variances are being disclosed in stewardship reports to individual Scrutiny Committees during the current cycle of meetings. However the main variances are as follows:

2.3.1 Scrutiny Committee Community – (An over spend of £268,230).

There are additional notional costs of £502,600 (net) in respect of capital charges and deferred contributions. When adjusting for this the Committee is under spent by £234,280.

A vacancy in the Litter Enforcement team has resulted in a saving and a backdated Supporting People grant has been received.

In Cleansing Services, savings are anticipated in Street Cleansing and Refuse Collection and a Local Public Service Agreement in respect of Street Cleansing will result in the receipt of a Performance Reward Grant.

There are vacant posts in Licensing, Food, Health and Safety, Recycling and Community Outreach.

This has been partly offset by additional expenditure for Agency cover of long term sickness in Waterways and Countryside together with additional costs towards the new harbour authority.

Operational costs of Grounds maintenance will exceed the estimate due to both adverse weather conditions and the impact of long term sickness.

Additional expenditure has been incurred in respect of backdated utility charges for the contracted sports facilities and will be met by an earmarked reserve.

Expenditure on handing back private sector leased properties is expected to exceed the budget.

A saving has arisen in staffing costs for Recycling and income from the sale of materials has exceeded the estimates. Additional income will also arise from a Local Area Agreement.

2.3.2 Scrutiny Committee Economy – (An over spend of £1,472,870)

There are additional notional costs of £215,880 (net) in respect of capital charges and deferred contributions. When adjusting for this the Committee is over spent by £1,256,990.

There is a reduction in Car Park income (£397,000) and the Archaeological Field Unit fees (£160,000) mainly due to the general downturn in the economy.

The new nationwide scheme for concessionary travel has resulted in a significant increase in cost for Exeter City Council. (£1,000,000 estimated).

2.3.3 Scrutiny Committee Resources – (An under spend of £562,110)

There is a forecast underspend of £158,000 arising from changes to the way subsidy can be maximised in relation to part of the Council's caseload.

There is a forecast underspend of £43,000 on civic ceremonial due to programmed AIM works at the Guildhall being less than anticipated.

Treasury Services is predicted to have a saving of £146,000 arising predominantly from reduced employee costs that have arisen during the year.

There is a predicted saving of £143,000 in respect of Corporate Customer Services mainly due to a forecast underspend of AIM expenditure.

The Grants budget is currently forecast to be underspent by £56,000 although some of this will need to be carried forward to the next financial year.

3. OTHER FINANCIAL VARIATIONS

- 3.1 As previously reported, during 2007, the Council made two investments with Icelandic banks for a period of 364 days each. The Council invested £3m with Landsbanki to mature on 3rd November 2008 and £2m with Glitnir to mature on 5 December 2008. Both banks have since defaulted on the repayment of these investments together with interest owing to the Council of £316,000. The insolvency and administration process is currently ongoing but it is likely to be many months before the Council

knows what the final outcome is regarding how much of its 'lost' investments may be recovered.

- 3.2 Resulting from the above and other cash flow variations, it is forecast that net interest will be some £500,000 less than had been budgeted for.
As a result of 3.1 above together with volatile interest rates and a decision to defer borrowing to finance the capital programme, there is a reduction of £500,000 in respect of investment interest.
- 3.3 The Council has recently been notified that it will receive its final tranche of Local Authority Business Growth Incentive (LABGI) in respect of 2007/08. This amounts to £577,266 and will be paid to the Council before the end of the current financial year.
- 3.4 There is a net transfer from Earmarked Reserves of £591,080; £5,000 from Transport Initiative reserve, £31,950 from Building Control reserve, £116,050 from the Local Development Framework reserve, £55,000 from the Princesshay reserve and £176,840 from the Planning Delivery Grant reserve, £66,160 from the Leisure Management reserve, £75,090 from the Tree Management reserve and £7,980 from the Vehicle Licensing reserve, £11,360 from the Splash Scheme reserve, £31,860 from Home survey reserve, and £13,790 from the Empty Homes Initiative reserve.
- 3.4 There is £600,730 from the Repairs Fund in respect of AIM works carried forward from 2007-08 to be undertaken in 2008-09.
- 3.5 The overall net deficit is estimated to be £1,293,441 at 31 March 2009 after accounting for July approved supplementary budgets of £1,231,310; this will be transferred from the General Fund Working Balance.

4. OUTSTANDING SUNDRY DEBT

- 4.1 The Council issues invoices for a range of sundry debts, including:
- Commercial rent;
 - Trade waste;
 - Service charge and ground rent for leasehold flat owners;
 - Home call alarms;
 - Housing benefit overpayments;
 - and a range of other services such as room rental.

In these quarterly reports, comparisons will be made to inform members of progress in recouping this debt. This does not include housing rent, council tax or business rate debt.

- 4.2 Outstanding debt at 31 March 2008 was £4.097m, at 30 June 2008 it stood at £3.468m, at 30 September it also stood at £3.468m and at 31 December 2008 it was £3.959m. An aged debt analysis is shown below, which demonstrates that of the £3.959m debt, £1.268m is less than 30 days old. Debt over 30 days old has increased over the quarter from £1.933m to £2.691m.

| Age of Debt | December 2008 | September 2008 | June 2008 |
|-------------------------|----------------------|----------------------|----------------------|
| Up to 29 days (current) | £1,267,742.97 | £1,534,787.70 | £1,429,868.39 |
| 30 days – 1 Year | £1,600,755.59 | £904,573.71 | 1,008,452.15 |
| 1 – 2 years | £329,620.84 | £288,038.97 | £282,308.62 |
| 2 –3 years | £221,534.56 | £237,895.81 | £247,419.31 |
| 3 – 4 years | £171,662.54 | £141,105.87 | £99,451.02 |
| 4 – 5 years | £121,192.61 | £119,137.52 | £158,408.82 |
| 5 + years | £246,581.41 | £242,125.43 | £241,854.25 |
| Total | £3,959,090.52 | £3,467,665.01 | £3,467,762.56 |

5. CONCLUSION

5.1 The forecast increase in Service Committee net expenditure for 2008-09 totals £444,550 including the supplementary budgets of £1,231,310. This together with transfers from Earmarked Reserves, the reduction of £500,000 from investment income and the transfer from the Repairs Fund for AIM carried forward (£600,730) will result in a transfer of £1,293,441 from the Working Balance. Whilst this is a significant withdrawal from the Working Balance in the current circumstances it is considered appropriate.

5.2

The forecast General Fund Working Balance at 31 March 2009 is £6,158,105 and equates to 38.0% of the General Fund net expenditure.

6. RECOMMENDATION

It is recommended that:

- The forecast financial position for the 2008-09 financial year is noted.
- The outstanding Sundry Debt position for the second quarter of 2008-09 is noted.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling the report:

None

EXETER CITY COUNCIL
2008-2009 REVENUE ESTIMATES - SUMMARY
as at 31st December 2008

| | Annual Budget £ | Supplementary Budgets £ | Revised Annual Budget £ | Year End Forecast £ | Variance to Budget £ |
|---|------------------------|-------------------------------|----------------------------------|---------------------------|----------------------------|
| SCRUTINY - COMMUNITY | 16,677,790 | 279,550 | 16,957,340 | 17,225,570 | 268,230 |
| SCRUTINY - ECONOMY | 1,543,820 | 458,450 | 2,002,270 | 3,475,140 | 1,472,870 |
| SCRUTINY - RESOURCES | 5,733,990 | 493,310 | 6,227,300 | 5,665,190 | (562,110) |
| less Notional capital charges | (2,932,190) | | (2,932,190) | (3,674,120) | (741,930) |
| Deferred Contributions | (3,309,820) | | (3,309,820) | (3,300,820) | 9,000 |
| FRS17 Pension Adjustment | 688,240 | | 688,240 | 686,730 | (1,510) |
| <u>Service Committee Net Expenditure</u> | 18,401,830 | 1,231,310 | 19,633,140 | 20,077,690 | 444,550 |
| Net Interest | (1,300,000) | | (1,300,000) | (800,000) | 500,000 |
| Business Growth Incentive Grant | 0 | | 0 | (577,266) | (577,266) |
| <u>General Fund Expenditure</u> | 17,101,830 | 1,231,310 | 18,333,140 | 18,700,424 | 367,284 |
| Transfer To/From(-) Working Balance | (424,727) | (630,580) | (1,055,307) | (1,293,441) | (238,134) |
| Transfer To/From(-) Earmarked Reserves | (461,930) | (600,730) | (461,930) | (591,080) | (129,150) |
| AIM Carried Forward | 0 | | (600,730) | (600,730) | 0 |
| <u>General Fund Net Expenditure</u> | 16,215,173 | 0 | 16,215,173 | 16,215,173 | 0 |
| Formula Grant | (11,892,916) | | (11,892,916) | (11,892,916) | 0 |
| <u>Council Tax Net Expenditure</u> | 4,322,257 | 0 | 4,322,257 | 4,322,257 | 0 |
| | March08 | £ 7,451,546 | £ 6,158,105 | March 09 | |
| | Working Balance | | | | |

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE – RESOURCES 25 MARCH 2009

**EXECUTIVE
7 APRIL 2009**

CAPITAL MONITORING STATEMENT TO DECEMBER 2008

1. PURPOSE OF THE REPORT

- 1.1 In accordance with the Prudential Code for Capital Finance in Local Authorities, it is necessary to monitor performance against the prudential indicator for capital expenditure and highlight significant deviations from expectations. This report therefore sets out the current position in respect of the Council's annual capital programme and advises Members of the anticipated variations.

2. BACKGROUND

- 2.1 A Local authority is required to estimate the total of capital expenditure that it plans to incur during the financial year when it sets the prudential indicators for capital expenditure. This shows that its asset management and capital investment strategies are affordable, prudent and sustainable.
- 2.2 Capital expenditure is a significant source of risk and uncertainty since cost variations, delays and changing specifications are often features of large and complex capital projects.
- 2.3 This report is prepared on a quarterly basis in order to update Members with any known cost variations, slippage or acceleration of projects.

3. REVISIONS TO THE CAPITAL PROGRAMME

- 3.1 The 2008/09 Capital Programme, including commitments brought forward from 2007/08, was last reported to Scrutiny Committee - Resources on 26 November 2008. Since that meeting the following changes have been incorporated into the programme:

| Description | £ | Approval/funding |
|---|-------------|--|
| Capital Programme, as at 26 November 2008 | 29,746,975 | |
| Temporarily Suspended Schemes | (1,983,690) | Approved by Executive 9 December 2008 |
| Budget Deferred to 09/10 | (6,916,525) | |
| Overspends/Underspends | (81,280) | |
| Heavitree Environmental Enhancement | 650 | Contribution by County Cllr Foggin |
| Digby Play Area | 49,130 | Section 106 monies |
| National Cycle Network | 98,230 | Contribution from DCC |
| Walking Strategy | 3,460 | Contribution from DCC |

| | | |
|-----------------------------------|-------------------|------------------------------|
| Private Sector Renewal Scheme | 24,230 | Grant clawback income |
| Disabled Facility Grants | 62,000 | Additional Funding from DCLG |
| Fast Track Extralet Grants | 3,000 | Grant clawback income |
| Upgrading Council Roads/Footpaths | 540 | Contribution from DCC |
| Social Housing Grants | (30,000) | Transferred to Revenue |
| Revised Capital Programme | 20,976,720 | |

4. MONITORING PERFORMANCE

- 4.1 In order to help improve overall delivery and monitoring of the capital programme schemes have been placed within two categories, C1 and C2. Category C1 is for those schemes that the Council is reasonably certain of being able to deliver within planned timescales. Conversely, Category C2 is for those schemes that the Council is less certain of being able to deliver primarily due to factors outside the control of the Council.
- 4.2 The categories do not extend to the HRA Capital Programme as it was hoped that the full programme would be deliverable within planned timescales due to the Council's commitment to achieving the Decent Homes Standard.

5. PERFORMANCE

5.1 Projected Outturn

The capital programme for the current financial year is £20,976,720. It is projected that £2 million of the programme will need to be carried forward into future years. For details, please refer to Appendix 1 and to the explanations below.

5.2 Progress

During the first nine months of the current financial year the Council spent £10.16 million of the 2008/09 Capital Programme.

- 5.3 In overall terms this equates to 48.4% of the Capital Programme being spent in the first nine months of 2008/09, compared to £11.12 million (51.5%) being spent in the first nine months of 2007/08.

- 5.4 The table below sets out how the Council is performing in terms of capital expenditure, compared to the same time last financial year, analysed by category:

| Category | 2008/09 Expenditure 3rd Quarter | 2007/08 Expenditure 3rd Quarter | 2008/09 Expenditure expressed as percentage of Capital Programme | 2007/08 Expenditure expressed as percentage of Capital Programme |
|--------------|---------------------------------------|---------------------------------------|---|---|
| C1 | 4,764,515 | 5,230,966 | 52.67% | 62.97% |
| C2 | 1,888,729 | 1,681,810 | 33.49% | 28.66% |
| HRA | 3,503,556 | 4,210,266 | 55.68% | 56.82% |
| Total | 10,156,800 | 11,123,042 | 48.42% | 51.53% |

5.6 The projected total capital expenditure for 2008/09 is £18,950,251 representing 90.3% of the annual capital programme.

6. VARIANCES

6.1 The main variances are as follows:

6.2 Community & Environment

Cultural City

- **Play Area Refurbishments (Budget £403,440) & Skating Area Exhibition Fields (Budget £16,000)**

Delivery of the Play Area Refurbishment Programme is progressing well, with facilities in Pendragon Road MUGA, Summerway Park, King's Heath Park, Wyvern Park, Exhibition Fields Skate Park and Kinnerton Way MUGA undergoing improvements during this financial year.

The Pendragon play area is now open and in use and floodlights have been ordered for the site.

Work at Summerway Park has progressed well, with a series of boulders to mark the play area boundary and play equipment was installed in February 2009. The multi use games area opened in early 2008 and now has floodlights.

At King's Heath a substantial new play area has been installed, with the final phase due for completion in May. The floodlit MUGA has been in use for several months.

Work at Exhibition Fields Skate Park is complete and the replacement ramps are proving very successful.

- **Roof Improvements to Topsham Museum (Budget £45,000)**

It is proposed that work on Topsham Museum roof is deferred until 09/10 so the work can be timed for when the museum is closed to the general public.

Cared for Environment

- **New Trade Waste Recycling Service Vehicles (Budget £70,000)**

This budget has been allocated for the purchase of two vehicles to be used on the new recycling rounds collecting cardboard and plastics. So far one vehicle has been purchased and it is proposed that the remainder of the budget be deferred to 09/10 when the success of the current round can be determined and the decision whether to buy a second vehicle made.

Excellence in Public Services

- **Oakwood House (Budget £61,540)**

We are awaiting defects work to be carried out by the contractor before the final payment can be issued; therefore it is proposed that the remainder of this budget be deferred to 09/10.

Everyone has a Home

- **Social Housing Grants (Budget £1,885,000)**

There are several unsigned agreements where schemes are on site plus sums agreed for Exwick and Foxhayes that won't be paid this financial year, therefore it is proposed to defer £810,000 of this budget to 09/10.

6.2.2 **Economy & Development**

Cared for Environment

- **Custom House (Budget £34,250)**

Work at the site has been completed with the final cost coming in below budget.

Prosperous City

- **Canal Basin and Quayside (Budget £446,700)**

The programme of works has been revised to reflect uncertainty surrounding the timing of several capital receipts resulting in £300,000 budget being deferred to 09/10. Full details have been provided in the report presented to Executive (27 January 2009).

6.2.3 **Corporate Services**

Accessible City

- **Equal Opportunities Improvements (Budget £118,320)**

Individual schemes have progressed this year, including Mincinglake Valley Park Access Improvements, Verney House Staircase Improvements and Access Improvements at Summerway Park. Orders are now being placed on remaining projects and it is proposed that any money unspent this year be carried forward into 09/10 to ensure all essential work is completed.

6.2.4 **Housing Revenue Account**

Everyone Has a Home

- **Sheltered Accommodation (Budget £644,190)**

This budget provides for the cost of upgrading sheltered accommodation to meet the standards of the Supporting People Programme.

The Supporting People Programme is committed to providing a better quality of life for vulnerable people to live more independently and to develop and sustain an individual's capacity to live within their accommodation. Programmed works include the installation of lifts, provision of wheelchair

access, walk-in showers and level access.

Specifications for the works are currently being prepared so that the tender process can be undertaken later this year. Once the appointed contractor starts on site it is hoped that works can be completed swiftly, but it is projected that £444,190 of the budget will need to be carried forward into 2009/10 as significant spend of the budget will not start until the later part of this financial year.

- **Asbestos Removal Works (Budget £75,000)**

It has been necessary to undertake extensive asbestos removal works and it is forecast that there will be an overspend in the region of £45,000 at the end of the financial year. Once asbestos has been identified as being in poor condition it must be removed to protect the health and safety of the occupiers of those properties and contractors.

7. RECOMMENDED

- 7.1 It is recommended that the current position in respect of the annual capital programme be noted.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

1. None

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**2008/09
CAPITAL MONITORING TO 31 DECEMBER 2008**

| Lead Officer | Category | 2008/09 | 2008/09 Revised | 2008/09 Spend | 2008/09 | From 2009/10 | 2008/09 | |
|--|----------|-----------------------|-------------------|-------------------|------------------|------------------|-------------------------------|---------------|
| | | Temporarily Suspended | Capital Programme | to 31/12/08 | Forecast Spend | Forecast Spend | Programme Variances Under () | |
| | | £ | £ | £ | £ | £ | £ | |
| COMMUNITY & ENVIRONMENT | | | | | | | | |
| ACCESSIBLE CITY | | | | | | | | |
| | AC | C2 | (13,240) | 0 | 0 | 0 | 0 | |
| | PM | C2 | (30,000) | 43,940 | 28,172 | 43,940 | 0 | |
| | AC | C2 | (2,000) | 0 | 0 | 0 | 0 | |
| STRONG COMMUNITIES CITY | | | | | | | | |
| | PM | C2 | (66,100) | 0 | 0 | 0 | 0 | |
| CULTURAL CITY | | | | | | | | |
| | AC | C2 | | 110,600 | 7,050 | 95,600 | 15,000 | |
| | AC | C2 | (130,000) | 0 | 0 | 0 | 0 | |
| | PM | C2 | | 63,490 | 27,036 | 62,230 | (1,260) | |
| | PM | C2 | (20,000) | 25,000 | 4,910 | 5,000 | 20,000 | |
| | AC | C2 | | 16,000 | 16,000 | 16,000 | 0 | |
| | AC | C2 | (115,800) | 403,440 | 201,746 | 352,280 | 51,160 | |
| | AC | C2 | (5,190) | 0 | 0 | 0 | 0 | |
| | PM | C2 | | 296,090 | 283,538 | 315,040 | 18,950 | |
| | PM | C2 | | 4,310 | 5,076 | 5,080 | 770 | |
| | AC | C1 | | 67,060 | 7,310 | 67,060 | 0 | |
| | AC | C1 | | 27,950 | 27,945 | 27,950 | 0 | |
| | PM | C2 | | 1,130 | 14,225 | 17,990 | (16,860) | |
| | AC | C1 | | 45,000 | 0 | 0 | 45,000 | |
| | AC | C2 | | 34,280 | 9,532 | 34,280 | 0 | |
| | AC | C1 | | 11,040 | 13,342 | 13,342 | 2,302 | |
| | AC | C2 | | 20,000 | 775 | 8,500 | 11,500 | |
| | AC | C1 | | 4,707,000 | 2,128,946 | 4,707,000 | 0 | |
| | AC | C1 | | 24,710 | 0 | 24,710 | 0 | |
| ELECTRONIC CITY | | | | | | | | |
| | PM | C2 | (85,000) | 0 | 0 | 0 | 0 | |
| CARED FOR ENVIRONMENT | | | | | | | | |
| | RN | C1 | | 9,900 | 0 | 9,900 | 0 | |
| | RN | C1 | | 40,000 | 30,550 | 40,000 | 0 | |
| | PM | C1 | | 34,350 | 16,518 | 34,350 | 0 | |
| | PM | C2 | (32,000) | 15,900 | 15,742 | 15,900 | 0 | |
| | PM | C1 | | 11,050 | 0 | 11,050 | 0 | |
| | RN | C2 | (1,910) | 0 | 0 | 0 | 0 | |
| | RN | C1 | | 70,000 | 36,636 | 36,636 | 33,364 | |
| | RN | C1 | | 3,030 | 3,030 | 3,030 | 0 | |
| | AC | C2 | | 12,300 | 4,382 | 12,300 | 0 | |
| | PM | C1 | (16,000) | 35,680 | 12,610 | 40,980 | 5,300 | |
| | RN | C1 | | 29,860 | 30,523 | 30,523 | 663 | |
| | PM | C1 | | 0 | 19,995 | 19,995 | 19,995 | |
| EXCELLENCE IN PUBLIC SERVICES | | | | | | | | |
| | PM | C1 | (95,000) | 799,350 | 758,480 | 799,350 | 0 | |
| | PM | C1 | | 15,000 | 5,522 | 15,000 | 0 | |
| | PM | C1 | | 13,590 | 12 | 13,590 | 0 | |
| | PM | C2 | (40,000) | 2,390 | 1,007 | 2,390 | 0 | |
| | PM | C1 | | 61,540 | 2,054 | 3,540 | 58,000 | |
| | PM | C2 | (23,000) | 52,000 | 34,815 | 35,000 | 17,000 | |
| | PM | C2 | | 70,000 | 66,819 | 70,000 | 0 | |
| | PM | C1 | (130,000) | 18,210 | 13,980 | 13,980 | (4,230) | |
| HEALTHY & ACTIVE PEOPLE | | | | | | | | |
| | RN | C1 | | 528,750 | 438,594 | 528,750 | 0 | |
| EVERYONE HAS A HOME | | | | | | | | |
| | RN | C2 | | 180,000 | 70,975 | 180,000 | 0 | |
| | RN | C2 | | 124,720 | 29,344 | 124,720 | 0 | |
| | SW | C2 | | 1,885,000 | 306,125 | 1,075,000 | 810,000 | |
| | RN | C2 | | 125,470 | 81,651 | 125,470 | 0 | |
| | SW | C2 | | 1,850 | 0 | 0 | 1,850 | |
| | SW | C2 | | 77,140 | 67,908 | 77,140 | 0 | |
| | SW | C2 | (65,000) | 185,000 | 181,953 | 182,000 | 3,000 | |
| | RN | C2 | | 21,200 | 20,992 | 21,200 | 0 | |
| | RN | C1 | | 439,340 | 396,861 | 439,340 | 0 | |
| SAFE CITY | | | | | | | | |
| | RN | C1 | | 13,970 | 13,970 | 13,970 | 0 | |
| | RN | C1 | (35,310) | 0 | 0 | 0 | 0 | |
| COMMUNITY & ENVIRONMENT TOTAL | | | (905,550) | 10,777,630 | 5,436,650 | 9,771,106 | 1,049,014 | 42,490 |

| Lead Officer | Category | 2008/09 Temporarily Suspended | 2008/09 Revised Capital Programme | 2008/09 Spend to 31/12/08 | 2008/09 Forecast Spend | From 2009/10 Forecast Spend | 2008/09 Programme Variances Under () | |
|--------------------------------------|----------|-------------------------------|-----------------------------------|---------------------------|------------------------|-----------------------------|---------------------------------------|-----------------|
| ECONOMY & DEVELOPMENT | | | | | | | | |
| ACCESSIBLE CITY | | | | | | | | |
| | DH | C1 | | 130,210 | 118,955 | 130,210 | 0 | |
| | RS | C2 | | 243,630 | 11,961 | 243,630 | 0 | |
| | DH | C2 | | 60,980 | 54,961 | 60,980 | 0 | |
| | RC | C2 | | 40,000 | 25,513 | 40,000 | 0 | |
| CULTURAL CITY | | | | | | | | |
| | RS | C1 | | 35,000 | 12,615 | 35,000 | 0 | |
| | DP | C1 | (28,000) | 76,500 | 6,454 | 76,500 | 0 | |
| | RS | C2 | (14,000) | 6,570 | 5,228 | 6,570 | 0 | |
| CARED FOR ENVIRONMENT | | | | | | | | |
| | RS | C2 | | 554,080 | 93,108 | 554,080 | 0 | |
| | RS | C1 | (100,000) | 0 | 0 | 0 | 0 | |
| | DP | C1 | (80,000) | 0 | 0 | 0 | 0 | |
| | JR | C2 | | 330,230 | 621 | 330,230 | 0 | |
| | DP | C1 | | 34,250 | 6,881 | 13,250 | (21,000) | |
| | DH | C2 | | 3,050 | 0 | 3,050 | 0 | |
| | DH | C1 | (33,070) | 20,000 | 13,404 | 15,000 | (5,000) | |
| | RS | C2 | (33,000) | 8,460 | 653 | 8,460 | 0 | |
| | JR | C2 | (6,990) | 0 | 0 | 0 | 0 | |
| | DP | C2 | | 4,450 | 0 | 4,450 | 0 | |
| | RS | C2 | | 14,250 | 1 | 14,250 | 0 | |
| EXCELLENCE IN PUBLIC SERVICES | | | | | | | | |
| | RC | C1 | | 12,000 | 13,773 | 13,773 | 1,773 | |
| | DP | C1 | | 5,430 | 20 | 5,430 | 0 | |
| | DP | C2 | (4,000) | 4,000 | 3,035 | 3,035 | (965) | |
| | RS | C2 | (90,720) | 0 | 0 | 0 | 0 | |
| PROSPEROUS CITY | | | | | | | | |
| | RS | C2 | (123,160) | 0 | 0 | 0 | 0 | |
| | DP | C2 | | 446,770 | 143,502 | 146,770 | 300,000 | |
| | RB | C2 | | 30,000 | 0 | 30,000 | 0 | |
| | JR | C1 | | 8,750 | 0 | 8,750 | 0 | |
| SAFE CITY | | | | | | | | |
| | RC | C2 | | 10,000 | 0 | 10,000 | 0 | |
| | JR | C1 | | 15,250 | 8,000 | 15,250 | 0 | |
| | RC | C1 | | 3,900 | 0 | 0 | (3,900) | |
| | DH | C2 | (15,000) | 34,050 | 25,475 | 34,050 | 0 | |
| | JR | C1 | | 31,270 | 0 | 30,135 | (1,135) | |
| ECONOMY & DEVELOPMENT | | | (527,940) | 2,163,080 | 544,159 | 1,832,853 | 300,000 | (30,227) |
| CORPORATE SERVICES | | | | | | | | |
| ACCESSIBLE CITY | | | | | | | | |
| | PM | C1 | (30,000) | 118,320 | 41,924 | 63,320 | 55,000 | 0 |
| ELECTRONIC CITY | | | | | | | | |
| | PE | C1 | (169,800) | 779,750 | 470,896 | 760,497 | 9,500 | (9,753) |
| | PE | C2 | (132,000) | 78,000 | 44,900 | 78,000 | 0 | 0 |
| CARED FOR ENVIRONMENT | | | | | | | | |
| | JS | C2 | (25,400) | 0 | 0 | 0 | 0 | |
| EXCELLENCE IN PUBLIC SERVICES | | | | | | | | |
| | JS | C1 | | 15,000 | 5,295 | 6,100 | (8,900) | |
| | JS | C1 | | 60,000 | 800 | 60,000 | 0 | |
| | PM | C1 | | 10,000 | 8,645 | 10,000 | 0 | |
| | JS | C1 | (175,000) | 306,160 | 93,370 | 306,160 | 0 | |
| | AS | C1 | | 370,000 | 0 | 370,000 | 0 | |
| SAFE CITY | | | | | | | | |
| | JS | C1 | (18,000) | 7,000 | 6,605 | 6,605 | (395) | |
| CORPORATE SERVICES TOTAL | | | (550,200) | 1,744,230 | 672,434 | 1,660,682 | 64,500 | (19,048) |

| Lead Officer | Category | 2008/09 Temporarily Suspended | 2008/09 Revised Capital Programme | 2008/09 Spend to 31/12/08 | 2008/09 Forecast Spend | From 2009/10 Forecast Spend | 2008/09 Programme Variances Under () |
|--|----------|-------------------------------|-----------------------------------|---------------------------|------------------------|-----------------------------|---------------------------------------|
| HRA CAPITAL | | | | | | | |
| EVERYONE HAS A HOME | | | | | | | |
| | SW | | 644,190 | 136,008 | 200,000 | 444,190 | 0 |
| | SW | | 400,000 | 326,637 | 400,000 | | 0 |
| | SW | | 176,000 | 0 | 25,000 | 151,000 | 0 |
| | SW | | 15,000 | 0 | 15,000 | | 0 |
| | SW | | 248,370 | 642 | 248,370 | | 0 |
| | SW | | 174,460 | 144,787 | 174,460 | | 0 |
| | SW | | 391,510 | 391,510 | 391,510 | | 0 |
| | SW | | 59,000 | 29,365 | 59,000 | | 0 |
| | SW | | 15,330 | 0 | 15,330 | | 0 |
| | SW | | 51,000 | 16,093 | 51,000 | | 0 |
| | SW | | 43,770 | 10,106 | 43,770 | | 0 |
| | SW | | 700,000 | 345,071 | 600,000 | | (100,000) |
| | SW | | 40,000 | 23,013 | 40,000 | | 0 |
| | SW | | 2,500 | 2,498 | 2,500 | | 0 |
| | SW | | 271,690 | 139,876 | 271,690 | | 0 |
| | SW | | 235,880 | 76,778 | 235,880 | | 0 |
| | SW | | 183,000 | 12,190 | 120,000 | 63,000 | 0 |
| | SW | | 56,770 | 24,304 | 56,770 | | 0 |
| | SW | | 26,430 | 31,169 | 33,930 | | 7,500 |
| | SW | | 980,450 | 629,174 | 980,450 | | 0 |
| | SW | | 10,000 | 0 | 10,000 | | 0 |
| | SW | | 75,000 | 101,770 | 120,000 | | 45,000 |
| | SW | | 332,770 | 252,430 | 395,270 | | 62,500 |
| | SW | | 20,000 | 0 | 20,000 | | 0 |
| | SW | | 15,720 | 10,040 | 14,000 | | (1,720) |
| | SW | | 35,000 | 44,433 | 44,500 | | 9,500 |
| | SW | | 73,220 | 37,185 | 73,220 | | 0 |
| | SW | | 126,510 | 42,262 | 115,000 | 11,510 | 0 |
| | SW | | 50,000 | 36,260 | 50,000 | | 0 |
| | SW | | 548,540 | 375,260 | 548,540 | | 0 |
| | SW | | 289,670 | 264,696 | 330,420 | | 40,750 |
| HOUSING REVENUE ACCOUNT TOTAL | | 0 | 6,291,780 | 3,503,556 | 5,685,610 | 669,700 | 63,530 |
| CAPITAL AND PROJECT EXPENDITURE TOTAL | | (1,983,690) | 20,976,720 | 10,156,800 | 18,950,251 | 2,083,214 | 56,745 |

| Category | 2008/09 Temporarily Suspended | 2008/09 Revised Capital Programme | 2008/09 Spend | 2008/09 Forecast Spend | From 2009/10 Forecast Spend | 2008/09 Programme Variances Under () |
|---|-------------------------------|-----------------------------------|-------------------|------------------------|-----------------------------|---------------------------------------|
| HRA Capital Schemes | 0 | 6,291,780 | 3,503,556 | 5,685,610 | 669,700 | 63,530 |
| Reasonably certain of being able to deliver within planned timescales | (910,180) | 9,045,170 | 4,764,515 | 8,820,026 | 200,864 | (24,280) |
| Less certain of being able to deliver primarily due to factors outside the control of the Council | (1,073,510) | 5,639,770 | 1,888,729 | 4,444,615 | 1,212,650 | 17,495 |
| CAPITAL AND PROJECT EXPENDITURE TOTAL | (1,983,690) | 20,976,720 | 10,156,800 | 18,950,251 | 2,083,214 | 56,745 |

Category 1

Is for those schemes that the Council is reasonably certain of being able to deliver within planned timescales

Category 2

Is for those schemes that the Council is less certain of being able to deliver, primarily due to factors outside the control of the Council

| Lead Officer Key Table | |
|---|----|
| Head of Leisure and Museums | AC |
| Head of Treasury Services | AS |
| Engineering and Construction Manager | DH |
| Head of Estates Services | DP |
| Head of Environmental Health Services | RN |
| Director of Economy and Development | JR |
| Head of Corporate Customer Services | JS |
| Head of IT Services | PE |
| Head of Contracts and Direct Services | PM |
| Head of Economy and Tourism | RB |
| Head of Administration and Parking Services | RC |
| Head of Planning Services | RS |
| Head of Housing and Social Inclusion | SW |

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 25 MARCH 2009

EXECUTIVE
7 APRIL 2009

SUSTAINABLE PROCUREMENT AND COMMISSIONING STRATEGY 2009 – 2011 AND PROCURMENT REPORT

1. PURPOSE OF THE REPORT

- 1.1 To seek approval for a Sustainable Procurement and Commissioning Strategy.
- 1.2 To report to Members progress made against last year's Procurement Action Plan.
- 1.3 To outline the Sustainable Procurement and Commissioning Action Plan for 2009/2010.

2. BACKGROUND

- 2.1 Following the Council's Strategic Review of Procurement a Procurement Strategy was adopted in November 2004.
- 2.2 A report was presented to this committee on 9 March 2008, which detailed the progress against the 2007/2008 action plan and identifying areas where further work was envisaged in the coming year. This partly informed the basis of the Procurement Action Plan for 2008/2009.
- 2.3 One of the key actions was to review and amend the Council's Procurement Strategy to reflect changes in legislation, requirements from the mock inspection of Housing Services and in preparation for unitary status.

3. PROGRESS TO DATE

Sustainable Procurement and Commissioning Strategy

- 3.1 The Procurement Strategy, developed in November 2004, has proved a useful document. However, given the rate at which the procurement agenda is changing, its increasing use as a measure of efficiency and effectiveness and because the majority of the actions identified have been completed or are in progress it was recognised there was a need to review and update the Procurement Strategy.
- 3.2 The Sustainable Procurement and Commissioning Strategy will replace the existing Procurement Strategy (The strategy has been made available on the web site) with effect from April 2009. The strategy has been widely consulted on. Internal consultees include all Heads of Service, officers with specific purchasing and related specialisms such as health and safety, trade unions and the Procurement Group. Additional consultation has been undertaken with potential and existing suppliers and partners.
- 3.3 The Sustainable Procurement and Commissioning Strategy will be supported by a Procurement and Commissioning Good Practice Guide which in turn will be supported by a number of 'tool kits'. The tool kits will provide straight-forward guidance on key elements of procurement and commissioning such as developing a specification, risk management, appointing consultants, etc. This guidance will be available on the intranet to assist officers preparing to contract with others.

Organisational Structures

- 3.4 The Procurement Group continues to meet on a regular basis and also forms a virtual team, which considers changes to processes and documentation relating to procurement on a regular basis. Members of the group are and have been heavily involved in strategic projects such as the Exeter ARK, the RAMM project and the replacement electronic financial management system. They have also managed or assisted with the development of corporate contracts for agency staff and advertising future work will include developing and reviewing the procurement strategy for housing repairs.
- 3.5 The Procurement Group has also critically reviewed existing contract arrangements. A recent example was a review of the arrangements for installation and development of play areas. The specialist nature of this work has necessitated a mixed approach to procurement to maintain flexibility and achieve value for money. A report will shortly be presented to Executive detailing the arrangements.

Working with small businesses

- 3.6 We continue to work with small businesses in Exeter and the surrounding region to increase their involvement in bidding for Council work. This is being expanded to involve the voluntary and community sector. During the year presentations have been given to the Exeter Chamber of Commerce, South West Constructing Excellence and the Federation of Small Businesses. The increasing use of the *Selling to the Council* web page is essential to continue this work.

Marketplace

- 3.7 A major piece of procurement related work is the introduction of the electronic marketplace in conjunction with the replacement of the financial system. The marketplace is a system which uses electronic catalogues to simplify the purchase of goods and services. Exeter has, through the Devon Procurement Partnership, subscribed to @ UKPLC to provide this facility. The marketplace will reduce the costs of transactions and provide more detailed management information on purchasing. This will in turn allow greater competitive pressure to be applied on suppliers.
- 3.8 To help suppliers adapt to this new approach the Council will be working with them providing support and assistance where appropriate.

Exeter City Council's Green Accord

- 3.9 The Green Accord is an agreement that binds suppliers to the sustainability philosophy of Exeter City Council. It tackles issues such as fuel usage, travel and waste reduction/recycling and in doing so helps each service achieve compliance with the Council's Sustainable Purchasing Policy. Suppliers are initially required to self-assess their own compliance with our sustainability requirements, which sets a benchmark for future improvements to be measured against. Accreditation starts at Select level (red apple status) and increases to premier status (green apple).
- 3.10 Information on what we have already achieved with the Green Accord is available on our external webpage, www.exeter.gov.uk/greenaccord. Potential suppliers are able to download the Green Accord and view useful additional information and the self-assessment itself. Suppliers who do not pass the Green Accord self assessment or fail subsequent audits are not permitted to work for the Council and cannot remain upon the approved or select lists.
- 3.11 All construction related suppliers on the select lists have now assessed for Green Accord status. In addition they have signed up to the Green Accord confirmation of

Commitment and completed a training needs form. A very small minority of suppliers who did not comply/meet with the set requirements have been taken off the Council's list until such time as they resubmit a successful assessment.

- 3.12 To increase involvement of contractors, a non-construction based version of the Green Accord has been developed and further developments are being made to ascertain the best way to apply sustainability to each service and so produce a corporate Green Accord.
- 3.13 As there is no similar accreditation system for sustainability, we are currently working with Envision and Envirowise to turn our work on sustainability into the standard for a new accreditation scheme with national recognition for excellence and best practice. Already local suppliers are keen to use their Green Accord status to demonstrate sustainability within their business practices and it is also hoped this will secure business growth for local suppliers.
- 3.14 The Green Accord is gaining national credibility having recently won and been nominated for several national awards, and a number of organisations have indicated they wish to use it for their supply chains. The Council has certified the scheme and a business case is being developed with a view to creating an income generating accreditation system.

4. FUTURE PLAN OF WORK

- 4.1 The progress achieved against the 2008/2009 Procurement Action Plan is attached at Appendix I. Considerable progress has been achieved but there are still a number of significant tasks identified as having an ongoing need to continue.
- 4.2 The Sustainable Procurement and Commissioning Action Plan for the coming year is attached as Appendix II.

5. RECOMMENDED

that Scrutiny Committee Resources

- 1) approves the Sustainable Procurement and Commissioning Strategy;
- 2) notes the progress made to date and;
- 3) supports the Sustainable Procurement and Commissioning Action Plan for 2009/2010.

HEAD OF CONTRACTS AND DIRECT SERVICES

COMMUNITY & ENVIRONMENT DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

None

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**PROCUREMENT ACTION PLAN
APRIL 2008 TO MARCH 2009**

| TASK | BY WHOM | BY WHEN |
|---|--|---|
| Review and amend Procurement Strategy to include changes to legislation and specific references to housing | Procurement Group/Head of Housing/External partners | Achieved |
| Complete spend analysis to identify where smarter procurement will yield cost savings and introduce contracts to deliver | Procurement Group/Corporate Finance Manager | Year end report to be run from e-fins to provide spend analysis |
| Ensure leisure management and housing procurement strategies reflect best practice and deliver real benefits to the council | Procurement Group | Leisure contract started, Housing strategy being developed |
| Develop procurement good practice guide and toolkit. | Head of Contracts & Direct Services | Good practice guide on intranet |
| Improve and increase the use of electronic procurement processes. Develop road map for market place introduction and implement. | Procurement Group | Electronic procurement system in use |
| Provide advice, guidance and gateway review to strategic procurement projects such as the housing repairs contract | Procurement Group | Reviews programmed at key stages |
| Contribute to the achievement of efficiency by the use of innovative contract arrangements such as, e-auctions, frameworks or call off contracts. | Procurement Group | Vehicle procurement a good example |
| Work with Devon Procurement Partnership and RIEP SW to identify opportunities to share expertise and maximise competitive advantage. | Head of Contracts | Developing Devon portal and joint approaches |
| Develop an approach to asset acquisition to ensure compliance with Procurement Strategy. | Procurement Group/Asset Management Group | Concurrent with Procurement Strategy Review |
| Extend the use of the Green Accord into other procurement portfolio areas and pursue external accreditation | Procurement group/Sustainability Improvement Group | Accord accredited and in use across the council |
| Develop web based information to assist SME involvement in Council tenders and promote to the business community. | Procurement Group | Selling to the council page on new website |
| Combine the building and engineering approved lists into one consolidated approved list to provide greater consistency and clarity and seek to extend in partnership with other districts and the University. | Head of Contracts/Engineering and Construction Manager | Work proceeding to produce comprehensive list |
| Identify areas of existing procurement practice that need to be improved and implement changes to maximise benefit to the council | Procurement Group | ongoing |

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**SUSTAINABLE PROCUREMENT & COMMISSIONING ACTION PLAN
APRIL 2009 TO MARCH 2010**

| TASK | BY WHOM | BY WHEN |
|---|---|---|
| Review the action plan to take account of the outcome of the review of unitary status. | Head of Contracts | March 2010 |
| Develop and implement models of sustainable procurement that address social, environmental and economic issues. | Head of Contracts | March 2010 |
| Establish and promote minimum recycled content standards for products used in construction, highways maintenance, estates management, and establish and promote minimum environmental standards for all construction, refurbishment and maintenance work. | Head of Contracts | March 2010 |
| Complete the integration of all the Council's e-procurement solutions with the corporate financial systems to streamline the procurement process and maximise transactional savings. | Head of Contracts / Financial Services Manager | March 2010 |
| Use the corporate financial systems and e-procurement solutions to reduce rogue spend to a minimum. | Head of Contracts / Financial Services Manager | March 2010 |
| Review the council's approach to assessing the health and safety competency of potential suppliers and contractors building on the 'Managing of Contractors' guidance. | Head of Contracts/ Head of Env Health | March 2010 |
| Proactively engage with other authorities and organisations in the region to seek to develop common procurement documents where possible to further simplify the procurement process for bidders. | Head of Contracts / Devon Procurement Partnership (DPP) | March 2010 |
| Baseline the amount spent by the council with voluntary and community sector organisations in order to set a target for increasing spend with this sector during 2010-12. | Head of Contracts / Financial Services Manager | March 2010 |
| Review and improve the 'Selling to the Council' web page for businesses in the district. | Head of Contracts | March 2010 |
| Achieve a minimum of level 3 in the Sustainable Procurement Flexible Framework with level 5 in at least two categories. | Head of Contracts | March 2010 |
| Demonstrate high quality effective procurement and commissioning activity across the Council through a range of performance indicators. | Head of Contracts /Policy Unit / DPP | March 2010 |
| Investigate the viability of running annual 'Meet the buyer' events to increase the level of opportunity for local businesses. | Head of Contracts | March 2010 |
| Ensure leisure management and housing procurement strategies reflect best practice and deliver real benefits to the council | Procurement Group | Ongoing through year |
| Develop sustainable procurement and commissioning good practice guide and toolkits. | Head of Contracts | Ongoing |
| Provide advice, guidance and gateway reviews to strategic procurement projects. | Procurement Group | Ongoing |
| Contribute to the achievement of efficiency by the use of innovative contract arrangements such as, e- auctions, frameworks or call off contracts. | Procurement Group | Ongoing |
| Work with Devon Procurement Partnership and RIEP to identify opportunities to share expertise. | Head of Contracts | Ongoing |
| Develop an approach to asset acquisition to ensure compliance with Procurement Strategy. | Procurement Group/Asset Management Group | Concurrent with Procurement Strategy Review |
| Combine the building and engineering approved lists into one consolidated approved list to provide greater consistency and clarity and seek to extend the use of the Green Accord in partnership with other districts and the University. | Head of Contracts/ Engineering & Construction Manager | Ongoing |

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 25 MARCH 2009

EXECUTIVE
7 APRIL 2009

CORPORATE GOVERNANCE RISK REGISTER ANNUAL REVIEW

1. PURPOSE OF THE REPORT

- 1.1 To advise the Committee of the Council's risk management progress and seek its recommendation to the Executive for approval of the updated corporate risk register

2. BACKGROUND

- 2.1 The Risk Management Policy makes this Committee responsible for:
- considering the corporate risk register (CRR) and recommending its approval to the Executive
 - monitoring the effectiveness of risk management throughout the Council and the progress made against the CRR target for actions dates.

3. RISK REGISTER

- 3.1 The Risk Management Group and heads of service responsible for each entry have reviewed the risks and, based upon actions implemented and actual experience, have reassessed the Impact and Likelihood scores. This has resulted in the following risk changes and additions:

8. Financial

- **RAMM redevelopment** – increased from Medium to High due to additional costs as a result of structural problems coming to light only after the contractor went onsite

8. Financial

- **Superannuation (pension) fund** – increased from Low to Medium following receipt of advice from the Fund Manager (Devon County Council)

8. Financial

- **Investment returns** – decreased from High to Medium due to Savings being identified in the 2009/10 budget to offset the reduction of investment interest

8. Financial

- **Housing and Planning Delivery Grant**– New - Medium risk due to the award being less than was budgeted for

8. Financial

- **Income from recyclates** – New – Medium risk due to the economic downturn causing instability and a drop in the prices obtained

8. Financial

- **Boats using the canal** – New – Medium risk due to the possibility that third party accidents caused by or involving uninsured boats could result in the Council being liable to meet cost of losses or damages

8. Financial

- **Annual financial accounts** – increased from Low to Medium due to meeting the implementation of the new International Financial Reporting Standards (IFRS)

4. RISK MANAGEMENT PROGRESS

- 4.1 The roll-out to the services of risk and business continuity management has commenced following the successful completion of the pilot in the Cleansing Unit. Work has commenced for Car Parks and BEST and preparations are being made for working with the Customer Services Centre and the IT Unit.
- 4.2 As a result of the Resources Scrutiny Committee's review of the RAMM redevelopment project in January, members asked that the timelines of reporting updates included in the Corporate Risk Register, be reviewed. The compilation of the full Register has a timescale of nearly two months so it is possible, as in the case of RAMM, that events can change before members review the Register at committee. In future, therefore, the report being submitted to members will be circulated to all heads of service two weeks before the committee meeting for them to review their entries and indicate if any require amendment before publication. This will ensure that members have the latest information available to them.

5. RECOMMENDATIONS

That the Scrutiny Committee - Resources:

- 5.1 reviews the updated Corporate Risk Register
- 5.2 approves submission of the annual corporate risk register to the Executive
- 5.3 notes the risk management progress to date and agrees to the steps outlined at paragraph 4.2 to provide the most up to date information possible for consideration at committee.

HEAD OF AUDIT

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling the report:

None

RiskManagementUpdate2008-09SR250309
March 2009

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | | Residual Risk (impact x likelihood) and Risk Priority | | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change |
|--|--|---|-----|--|---|-----|--|----------------|---------------------|---------------|--------|
| | I | L | Tot | I | L | Tot | | | | | |

| Risks and benefits | Inherent Risk (impact x likelihood) | | | Residual Risk (impact x likelihood) and Risk Priority | | | What has been done to control risks (i.e. countermeasures) | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change |
|--|--|---|-----|--|---|-----|---|--|--|---|---------------|--------|
| | I | L | Tot | I | L | Tot | | | | | | |
| 1. Political 1. Local Government Review a) Risks & threats: <ul style="list-style-type: none"> Reorganisation might not proceed A unitary pattern may be chosen which is not in Exeter's best interests Consequences: <ul style="list-style-type: none"> An opportunity to provide a unitary system of local government for the City will be lost Exeter's best interests would not be served within an inappropriate structure Loss of key staff b) Benefits and opportunities: <ul style="list-style-type: none"> Improved co-ordination and delivery of local government services within the City More influence, control and accountability from locally elected councillors | 3 | 3 | 9 | 3 | 3 | 9 | <ul style="list-style-type: none"> Strong case made to government and Boundary Committee for England Support of stakeholders Public support Staff kept informed of progress Working with other Devon authorities to address staffing issues for pre/post decision period | <ul style="list-style-type: none"> Continue to build case and prepare for next stage of process Continue to engage and communicate with stakeholders and staff | <ul style="list-style-type: none"> Jul 09 Jun 09 | <ul style="list-style-type: none"> Chief Executive | All | ↑ |
| 2. Quality of data a) Risks & threats: <ul style="list-style-type: none"> Data is inaccurate, incomplete or out-of-date Consequences: | 3 | 3 | 9 | 3 | 2 | 6 | <ul style="list-style-type: none"> Policy Unit issues guidance and notifications to the responsible officers to ensure they are aware of the requirements | <ul style="list-style-type: none"> Policy Unit to ensure responsible officers fully aware of the requirements Internal Audit to test and assess security of | <ul style="list-style-type: none"> Ongoing Ongoing | <ul style="list-style-type: none"> Head of Policy | 7 8 | ↑ |

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | | Residual Risk (impact x likelihood) and Risk Priority | | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change |
|--|--|---|-----|--|---|-----|--|----------------|---------------------|---------------|--------|
| | I | L | Tot | I | L | Tot | | | | | |

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|
| <p>Risks and benefits</p> <ul style="list-style-type: none"> Government targets and Council's strategic objectives not met poor service delivery not identified inefficient use/waste of resources adverse comment in audit management letter adverse media comment <p>b) Benefits and opportunities:</p> <ul style="list-style-type: none"> Accuracy of and confidence in data enables better decision making Under-performance quickly identified and corrected | | | | | | | <p>What has been done to control risks (i.e. countermeasures)</p> <ul style="list-style-type: none"> Policy Unit provided training on new PI computer system Internal Audit undertake substantial testing of supporting data and results | | | | |
| | | | | | | | supporting data and results | | | | |

| | | | | | | | | | | | |
|---|---|---|----|---|---|---|----------|--|--|---|-------------|
| 3. Social | | | | | | | | | | | |
| 1. Social Housing – Homelessness | | | | | | | | | | | |
| a) Risks and threats: | | | | | | | | | | | |
| <ul style="list-style-type: none"> Failure to sustain the Government's Bed & Breakfast target of no family to be put in B&B except in emergency and then to stay no longer than 6 weeks Failure to meet Govt's targets to reduce use of temporary | 3 | 4 | 12 | 3 | 3 | 9 | M | <ul style="list-style-type: none"> Continue to meet Government B&B targets Ensure supply of alternative temporary accommodation to replace B&B, either PSLs or supported accommodation Officer group - Homelessness Task Force monitor agreed action plan Pursue new development opportunities on HRA land including | <ul style="list-style-type: none"> Ongoing Ongoing Ongoing Ongoing | <ul style="list-style-type: none"> Strategic Housing Manager | 1 4 ↑ |

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | | What has been done to control risks (i.e. countermeasures) | Residual Risk (impact x likelihood) and Risk Priority | | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change |
|---|--|---|-----|--|--|---|---|---|----------------|---------------------|---------------|--------|
| | I | L | Tot | | H | M | L | | | | | |
| <p>Risks and benefits</p> <p>accommodation by 50% & homeless acceptances by 25% both by 2010</p> <p>Consequences:</p> <ul style="list-style-type: none"> • Government sanctions - reduce homelessness grant - take over service • legal action against Council by any person in B&B longer than 6 weeks from April 2004 <p>b) Benefits and opportunities:</p> <ul style="list-style-type: none"> • Reduce homelessness cases by prevention advice/assistance for families • Increased quality of temp accommodation • Partnership working with the private sector • Increase in DCLG grant • Reduced B&B costs | | | | <p>new affordable housing</p> <ul style="list-style-type: none"> • Changes to Home Choice policy to increase priority to homeless applicants • Closer working with neighbouring LAs through DSHG and DHMG • Completion of 31 unit alternative accommodation private sector scheme • Monthly monitoring statistics through HMT • Quarterly monitoring through Scrutiny Committee & P1E • Increased resources into debt outreach work for potentially homeless families and rent deposit schemes – Homemaker SW –through the Q10 budget • Increased use of HRA land for development report agreed by Council • Implemented a direct lettings ‘pilot’ scheme in partnership with private sector landlords (Extra-lets) • Engagement of Homemaker for free advice and assistance for those in mortgage difficulties | | | | provision of additional temporary accommodation | | | | |

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | Residual Risk (impact x likelihood) and Risk Priority | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change |
|--|--|---|--|---|--|----------------|---------------------|---------------|--------|
| | I | L | Tot | H | | | | | |

| Risks and benefits | Inherent Risk (impact x likelihood) | | Residual Risk (impact x likelihood) and Risk Priority | | What has been done to control risks (i.e. countermeasures) | Target date(s) | Responsible officer | Strat Obj ref | Change | | | | |
|--|--|---|--|---|---|----------------|---------------------|---------------|---|---|---|---|---|
| | I | L | Tot | H | | | | | | M | L | | |
| 4. Technological 1. IT Security a) Risks and threats: <ul style="list-style-type: none"> Breach resulting in unauthorised access of sensitive information Consequences: <ul style="list-style-type: none"> loss of Council's credibility and reputation legal action against Council disruption/closure of services b) Benefits and opportunities: <ul style="list-style-type: none"> Gain recognised security standards and credibility Prevent service interruption (e.g. through malicious damage) | 3 | 4 | 12 | | <ul style="list-style-type: none"> Security forum in place Working towards BS7799 compliance Quality Analyst in place Firewall and virus protection in place and regularly updated Established security controls and policies to comply with the Government Connect Code of Connection (CoCo) | 3 | 9 | M | <ul style="list-style-type: none"> Achieve Devon-wide 'bronze' level compliance Ensure quality systems and procedures in place Achieve and sustain CoCo compliance | <ul style="list-style-type: none"> Ongoing Ongoing | <ul style="list-style-type: none"> Head of IT Services & Head of Audit Head of HR | 7 | ↑ |
| 2. IT Hardware & Software a) Risks & threats: <ul style="list-style-type: none"> Security breach & virus attacks Physical damage Systems failure of hardware and software Loss of IT equipment Interruption to power supply Consequences: <ul style="list-style-type: none"> inability to provide IT and critical services | 4 | 3 | 12 | | <ul style="list-style-type: none"> Disaster recovery system in place and ongoing testing Uninterruptible power supplies (UPS) implemented Support contracts in place and tested Back-up and recovery systems in place Server and infrastructure upgrade programme Secure server room Firewall upgrades | 3 | 6 | M | <ul style="list-style-type: none"> BS7799 standards adoption Review of legacy applications Penetration and vulnerability testing Next test scheduled and business continuity to be included Hardening of mobile and removable media (encryption and policies) Put controls in place to bypass power regulator | <ul style="list-style-type: none"> Ongoing Ongoing Ongoing 2009 2009 2009 | <ul style="list-style-type: none"> Head of IT Services & Head of Audit Head of Contracts & Direct Services | 7 | ↑ |

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | Residual Risk (impact x likelihood) and Risk Priority | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change |
|--|--|---|--|---|--|----------------|---------------------|---------------|--------|
| | I | L | Tot | H | | | | | |

| Risks and benefits | I | L | Tot | What has been done to control risks (i.e. countermeasures) | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change |
|--|---|---|-----|--|--|---|--|---------------------|---------------|--------|
| <ul style="list-style-type: none"> data loss damage to reputation Benefits and opportunities: Ensure availability of services to the public | | | | | <ul style="list-style-type: none"> New data centre implemented Contributed towards Council's overall business continuity plan Testing undertaken 2008 PDA's can be disabled/ data wiped by Help Desk User training emphasises not to hold confidential data on mobile devices' hard drives CoCo controls and systems implemented | <ul style="list-style-type: none"> and any major power interruption Implement replicated servers and associated back-up infrastructure off-site Implement new service desk with IT Infrastructure Library (ITIL) including developing a Change Management Data Base (CMDB) | <ul style="list-style-type: none"> Project currently frozen Oct 09 | | | |

| 5. Legislative/Regulatory and Legal | | | | | | | | | | | | |
|---|---|---|----|---|---|---|---|---|--|--|--|---|
| 1. Health & Safety Note: | 4 | 3 | 12 | 4 | 2 | 8 | M | • Relevant Heads of Services | 7 8 | ↑ | | |
| a number of issues arise under this heading and separate H&S action plans are maintained at Directorate level | | | | | | | | | | | | |
| 2. Legislation a) Risks & threats: <ul style="list-style-type: none"> Failure to: <ul style="list-style-type: none"> respond to new legislation comply with new/ existing legislation Members to take into account legal implications of decisions Consequences: | | | | | | | | <ul style="list-style-type: none"> Legal's intranet site giving advice Target advice to Units Communication with professional bodies and organisations to seek assistance and advice Legal obtains local gov't law updates from the internet, publishers, course organisers and colleagues Legal advice available to | <ul style="list-style-type: none"> Ongoing Ongoing | <ul style="list-style-type: none"> All Heads of Service | <ul style="list-style-type: none"> 7 8 | <ul style="list-style-type: none"> ↑ |

Corporate Risk Register – after RMG meeting
2009-Feb-26

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | | Residual Risk (impact x likelihood) and Risk Priority | | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change |
|--|--|---|-----|--|---|-----|---|---|--|---------------|--------|
| | I | L | Tot | I | L | Tot | | | | | |
| <ul style="list-style-type: none"> judicial review damage to reputation damages or fines b) Benefits and opportunities: Council complies with legislation and carries out its legal duties Protects staff and the public | | | | | | | | | | | |
| <p>3. Taxi Restriction</p> <p>a) Risks & threats:</p> <ul style="list-style-type: none"> Decision to retain quantity restriction policy may be challenged in court and is only defensible if there is a robust case proving that it is in the consumers' interest to restrict numbers (currently 59) <p>Consequences:</p> <ul style="list-style-type: none"> legal action and costs incurred <p>b) Benefits and opportunities:</p> <ul style="list-style-type: none"> De-restriction policy should benefit the consumer and widen opportunities for licensed Hackney Carriage (HC) drivers to gain plates and enter trade Numbers of wheelchair accessible taxis | 2 | 4 | 8 | 2 | 4 | 8 | <p>Members and colleagues (open door policy)</p> <ul style="list-style-type: none"> CPD/training courses | | | | |
| <ul style="list-style-type: none"> Should a legal challenge be made it will be considered in the light of current circumstances | | | | | | | | <ul style="list-style-type: none"> Ongoing | <ul style="list-style-type: none"> Head of Environm't. Health | 8 | ↑ |

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | | What has been done to control risks (i.e. countermeasures) | Residual Risk (impact x likelihood) and Risk Priority | | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change | |
|--|--|---|-----|--|--|---|-----|--|---|---|--|-------------|---|
| | I | L | Tot | | I | L | Tot | | | | | | H |
| Risks and benefits | | | | | | | | | | | | | |
| would increase, as all new taxis have to meet this criteria | | | | fed into forthcoming review) | | | | | | | | | |
| <ul style="list-style-type: none"> Increased numbers of HC vehicles may lower fares to consumers, cope with peak hours better (e.g. night-time) and reduce risk of unlicensed taxis being hailed by public (improved public safety) | | | | <ul style="list-style-type: none"> Reviewed Taxi Policy on restriction | | | | | | | | | |
| <p>4. Asbestos Materials</p> <p>a) Risks & threats:</p> <ul style="list-style-type: none"> Contamination of the environment Effect on individuals' health <p>Consequences:</p> <ul style="list-style-type: none"> death through asbestosis prosecution of staff civil damages sought <p>b) Benefits and opportunities:</p> <ul style="list-style-type: none"> Actions reaffirm the Council's commitment to protect staff, residents and users Avoidance of possible asbestosis claims | 4 | 2 | 8 | <ul style="list-style-type: none"> Asbestos register maintained and updated Contractors supervised and new staff advised Financial bids made to remove such materials Specialist surveyors employed to update register Asbestos management plans for Council properties Asbestos manager appointed Jan 2007 Additional funding made available to manage asbestos in Council properties Policy approved by SMT and Members April 2008 Specialist training on policy and wider responsibilities provided to all officers with | 3 | 2 | 6 | M | <ul style="list-style-type: none"> Staff to be reminded periodically of inherent risks Asbestos management plans to be trialled and rolled out to all responsible managers. | <ul style="list-style-type: none"> Ongoing Sep 09 | <ul style="list-style-type: none"> All Facilities Managers Head of Contracts & Direct Services | 2 7 8 | ↑ |

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | What has been done to control risks (i.e. countermeasures) | Residual Risk (impact x likelihood) and Risk Priority | | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change |
|--|--|---|---|--|---|---|--|----------------|---------------------|---------------|--------|
| | I | L | | Tot | H | M | | | | | |

| | | | | | | | | | | | |
|--|--|--|---|--|--|--|--|--|--|--|--|
| <ul style="list-style-type: none"> penalties imposed by central government adverse publicity <p>b) Benefits and opportunities:</p> <ul style="list-style-type: none"> Improved air quality Reduces health risks | | | required to produce an air quality action plan, but chooses to do so | | | | | | | | |
| | | | <ul style="list-style-type: none"> ECC has worked with DCC developing an air quality action plan to reduce nitrogen dioxide levels in the City caused by traffic (an integral part of LTP2); now approved by DEFRA | | | | | | | | |

| 7. Managerial/Professional | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|--|--|---|--------|---|
| <p>1. Staff Sickness</p> <p>a) Risks & threats:</p> <ul style="list-style-type: none"> High or increasing levels of sickness <p>Consequences:</p> <ul style="list-style-type: none"> essential services not delivered adverse effect on service delivery increase in stress/pressure on remaining staff costs of providing cover <p>b) Benefits and opportunities:</p> <ul style="list-style-type: none"> Enables efficient service delivery Healthier working environment | 3 | 3 | 9 | 2 | 3 | 6 | M | | | | | |
| | | | <ul style="list-style-type: none"> Case management introduced Support through alternative remedies Improved statistical information Policies/procedures Contract with Occupational Health reviewed Managing sickness training Stress audits undertaken | | | | | <ul style="list-style-type: none"> Continue management of sickness and implement formal action and intervention as appropriate Training and development Continued detailed monitoring Encourage healthy lifestyles | <ul style="list-style-type: none"> Ongoing Ongoing Ongoing Ongoing | <ul style="list-style-type: none"> Head of Human Resources & Services Officer relevant Heads of Service | 7 8 | ↑ |

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | What has been done to control risks (i.e. countermeasures) | Residual Risk (impact x likelihood) and Risk Priority | | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change |
|--|--|---|---|--|---|---|--|----------------|---------------------|---------------|--------|
| | I | L | | Tot | I | L | | | | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|--|---|--------|---|
| Risks and benefits | | | | | | | | | | | |
| 2. Recruitment and Retention of Staff a) Risks & threats: | 3 | 3 | 9 | 2 | 3 | 6 | M | | | | |
| <ul style="list-style-type: none"> Failure to recruit and retain qualified staff Consequences: <ul style="list-style-type: none"> essential services not delivered affects on service delivery/strategic objectives increased sickness/pressure b) Benefits and opportunities: <ul style="list-style-type: none"> Attract and retain key staff Reduced advertising spend Increase in skilled and committed workforce | | | <ul style="list-style-type: none"> Increased range of recruitment sources Market supplement facility Single Status On-line application forms Modern apprenticeships Exit interviews Workforce planning profile HR employment strategy framework Competency framework - generic jobs – completed Developed marketing plan to address recruitment shortages and equal access to recruitment | | | | <ul style="list-style-type: none"> Continue to introduce career grades Continue to develop enhanced employee attraction through on-line recruitment Develop workforce plans and profile skill gaps | <ul style="list-style-type: none"> 2009 2009 2009 | <ul style="list-style-type: none"> Head of Human Resources | 7 8 | ↑ |

| | | | | | | | | | | | |
|--|---|---|--|---|---|----|--|---|--|---|---|
| 8. Financial | | | | | | | | | | | |
| 1. Concessionary fares a) Risks & threats: | 4 | 4 | 16 | 4 | 4 | 16 | H | | | | |
| <ul style="list-style-type: none"> Costs of concessionary travel exceeds budget provision. Consequence: <ul style="list-style-type: none"> Council's overall financial position worsens | | | <ul style="list-style-type: none"> Other Councils in a similar position being contacted with a view to making joint representations to government and local MP has been alerted to the problem Fixed sum deal agreed with Stagecoach | | | | <ul style="list-style-type: none"> A higher level of funding needs to be obtained from government. The campaign to deliver higher funding continues Enhancements to the scheme over and above those legally required should be resisted. | <ul style="list-style-type: none"> Ongoing to March 2010 | <ul style="list-style-type: none"> Head of Parking, Engineering & Business Support Chief Executive | 7 | ↑ |

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | What has been done to control risks (i.e. countermeasures) | Residual Risk (impact x likelihood) and Risk Priority | | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change | |
|---|--|---|--|--|---|---|--|---|---------------------|---|--------|-----|
| | I | L | | Tot | I | L | | | | | | Tot |
| Risks and benefits | | | | | | | | | | | | |
| returns necessitating further trimming or re-alignment of the project and loss of time | | | with problems earlier and more quickly, and hence mitigate delays and costs | | | | | | | | | |
| <ul style="list-style-type: none"> Structural problems coming to light only after contractor on site (and strong possibility of more in the near future), which means the Council is locked into project having lost control of costs | | | <ul style="list-style-type: none"> Review of decision making processes undertaken, and substantial strengthening of the reporting system Monthly review of full live risk register added to project meetings | | | | | | | | | |
| <p>Consequences:</p> <ul style="list-style-type: none"> increased costs service disruption status affected that ability to obtain further funding opportunities is reduced <p>b) Benefits and opportunities:</p> <ul style="list-style-type: none"> Enhancement of the museum and collections to 21st century standards meeting the needs of residents and visitors | | | | | | | | | | | | |
| <p>4. Superannuation (Pension) Fund</p> <p>a) Risks & threats:</p> <ul style="list-style-type: none"> Underperformance of the pension fund <p>Consequence:</p> <ul style="list-style-type: none"> increased | 3 | 4 | <ul style="list-style-type: none"> Pension contributions covered for next financial year | 3 | 3 | 9 | M | <ul style="list-style-type: none"> Potential increased revenue costs need to be considered within the Medium Term Financial Strategy | Ongoing | <ul style="list-style-type: none"> Head of Treasury Services | 7 | ↑ |

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | | What has been done to control risks (i.e. countermeasures) | Residual Risk (impact x likelihood) and Risk Priority | | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change | |
|--|--|---|-----|--|--|---|-----|--|--|---|---|--------|---|
| | I | L | Tot | | I | L | Tot | | | | | | H |
| Risks and benefits | | | | | | | | | | | | | |
| contributions causing revenue burden b) Benefits and opportunities: | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> Valuable part of recruitment package | | | | | | | | | | | | | |
| 5. Investment Returns a) Risks & threats: <ul style="list-style-type: none"> Possible loss of capital due to failure of banks Lower returns due to lower interest rates Adverse external economic factors Consequences: <ul style="list-style-type: none"> budget shortfall due to loss of capital and lower investment returns b) Benefits and opportunities: <ul style="list-style-type: none"> Exceeding benchmark performance targets has positive budget impact | 4 | 4 | 16 | <ul style="list-style-type: none"> Use of external fund managers Annual Investment strategy has been reviewed and updated Savings have been identified in the 2009/10 budget to offset the reduction of investment interest | 4 | 2 | 8 | M | <ul style="list-style-type: none"> Continue to review the performance of fund managers | <ul style="list-style-type: none"> Ongoing | <ul style="list-style-type: none"> Head of Treasury Services | 5 7 | ↕ |
| 6. Housing Benefits Subsidy a) Risks & threats: <ul style="list-style-type: none"> High level of 'local authority errors' Subsidy calculated incorrectly Subsidy level not achieved (e.g. homelessness) New staffing | 4 | 3 | 12 | <ul style="list-style-type: none"> Currently below error threshold Internal Audit undertakes considerable testing | 4 | 2 | 8 | M | <ul style="list-style-type: none"> Monitor level of subsidy regularly Staff training and development | <ul style="list-style-type: none"> 1/4 ly Ongoing | <ul style="list-style-type: none"> Head of Treasury Services | 7 | ↗ |

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | Residual Risk (impact x likelihood) and Risk Priority | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change | | | | |
|--|--|---|--|---|--|----------------|---------------------|---------------|---|------------------------|---------------------------------------|---|---|
| | I | L | Tot | H | | | | | | M | L | | |
| Risks and benefits | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| guarantees | | | | | | | | | | | | | |
| 8. Housing and Planning Delivery Grant a) Risks & threats: <ul style="list-style-type: none"> • Award less than budgeted for Consequence: <ul style="list-style-type: none"> • adverse effect on the Unit's budget • reduction in staffing • inability to meet service targets and standards or fund projects | 4 | 2 | 8 | | | 4 | 2 | 8 | <ul style="list-style-type: none"> • Analysis of any draft allocation criteria • Cautious estimate | Ongoing | • Head of Planning & Building Control | 7 | |
| 9. Insurance a) Risks & threats: <ul style="list-style-type: none"> • Failure to control/manage insurance matters • Loss of professional negligence insurance (re: Pell Frischman/SWW) Consequence: <ul style="list-style-type: none"> • increase in claims and increase in premiums • the Council becomes liable for claims b) Benefits and opportunities: <ul style="list-style-type: none"> • Reduction in insurance costs | 2 | 4 | 8 | | | 2 | 3 | 6 | <ul style="list-style-type: none"> • Commenced implementation of QLAS for provision of more management information • Insurance audits undertaken by insurer • Provision of training (e.g. contract management) • Monthly management information reports produced • Insurer's undertook motor claims audit • Draft contract with Pell Frischman obtained | Ongoing Ongoing | • Head of Treasury Services | 7 | ↑ |

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | | What has been done to control risks (i.e. countermeasures) | Residual Risk (impact x likelihood) and Risk Priority | | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change | |
|---|--|---|-----|---|--|---|-----|--|--|--|---|--------|------------|
| | I | L | Tot | | I | L | Tot | | | | | | H |
| Risks and benefits | | | | | | | | | | | | | |
| <p>10. Capital Programme</p> <p>a) Risks & threats:</p> <ul style="list-style-type: none"> Capital programme is significantly underspent Failure to deliver approved capital projects on time <p>Consequences:</p> <ul style="list-style-type: none"> impact on CPA use of resources adverse comment in annual audit and inspection letter adverse media comment <p>b) Benefits and opportunities:</p> <ul style="list-style-type: none"> Reduced spend produces more investment interest | 2 | 4 | 8 | <ul style="list-style-type: none"> Report to SMT highlighting issues Managers required to accurately profile capital projects Prioritisation of schemes established Additional funding has been provided to help deliver capital programme | 2 | 3 | 6 | M | <ul style="list-style-type: none"> Capital Programme to be revised after 6 months. This will be approved by SMT/Members and there will be revised target programme More awareness/training of project management skills for managers | <ul style="list-style-type: none"> Ongoing Ongoing | <ul style="list-style-type: none"> Head of Treasury Services | 5 7 | ↑ |
| <p>11. Income from recyclates</p> <p>a) Risks & threats</p> <p>Economic downturn has caused:</p> <ul style="list-style-type: none"> instability and drop in recyclates prices disruption in reliability of acceptance by users; negative national coverage about the value of domestic recycling; risk to Council's reputation | 3 | 3 | 9 | <ul style="list-style-type: none"> Processing recyclates through Council MRF allows better quality control and greater flexibility to seek new user markets, and achieve the best price Dynamic monitoring of spot market prices for recyclates allows better planning of sales. Medium-term contract for waste paper affords protection to market fluctuations for this main recyclates commodity | 2 | 3 | 6 | M | <ul style="list-style-type: none"> Continue existing measures | <ul style="list-style-type: none"> 37% recycling 2009/10 | <ul style="list-style-type: none"> Head of Env Health | 2 7 | New |

| Exeter City Council Corporate Risk Register | Inherent Risk (impact x likelihood) | | | What has been done to control risks (i.e. countermeasures) | | | Residual Risk (impact x likelihood) and Risk Priority | | | What needs to be done to control risks | Target date(s) | Responsible officer | Strat Obj ref | Change |
|---|--|---|-----|---|---|-----|--|---|---|--|----------------|---------------------|---------------|--------|
| | I | L | Tot | I | L | Tot | H | M | L | | | | | |
| Risks and benefits | | | | | | | | | | | | | | |
| <ul style="list-style-type: none"> essential services not delivered no telephone service throughout the Council b) Benefits and opportunities: Ensures business continuity and customers can contact the Council | | | | | | | | | | | | | | |

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| | |
|-------------|---|
| Key: | |
| ↑ | Increased risk priority from last half-year |
| ⇔ | Same risk priority as last half-year |
| ↓ | Reduced priority from last half-year |

| Severity of impact matrix | | | | | | |
|---------------------------|---|---|---------------------|--------------------|---|--|
| Score | Personal safety | Failure to provide statutory duties or meet legal obligations | Financial loss | Service disruption | Personal privacy infringement | Embarrassment or reputation |
| 1 Minor | Minor injury or discomfort to an individual or several people | Litigation, claims or fines - Section/ Unit up to £5k | Up to 5% of budget | 1 day | Isolated individual personal detail compromised or revealed | Contained within section or unit |
| 2 Significant | Severe injury to an individual or several people | Litigation, claims or fines - Section/ Unit £5k to £10k | Up to 10% of budget | 2-3 days | Some individual personal details compromised or revealed | Local public or press interest |
| 3 Serious | Major injury to an individual or several people | Litigation, claims or fines - Section/ Unit £10k to £50k | Up to 25% of budget | 3-5 days | Many individual personal details compromised /or revealed | National public or press aware |
| 4 Major | Death of an individual or several people | Litigation, claims or fines - Unit over £50k | Over 25% of budget | 5+ days | All personal details compromised or revealed | Section Head, Head of Service or Director forced to resign |

| Likelihood matrix | | |
|----------------------|---|-------------------------------------|
| Score | Definition | Environmental event (e.g. flooding) |
| 1 Remote | Rare/may occur in exceptional circumstances | Once in 50 years |
| 2 Unlikely | Could occur at some time | Once in 20 years |
| 3 Likely/possible | Will/might occur at some time | Once in 5 years |
| 4 Very likely | Almost certain/is expected to occur in most circumstances | Annually |

| Risk matrix | | | | |
|-------------|----------|-------------|-------------|-------------|
| Impact | 4 Low | 8 Medium | 12 High | 16 High |
| | 3 Low | 6 Medium | 9 Medium | 12 High |
| | 2 Low | 4 Low | 6 Medium | 8 Medium |
| | 1 Low | 2 Low | 3 Low | 4 Low |
| | 1 | 2 | 3 | 4 |
| Likelihood | | | | |

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 25 MARCH 2009

INTERNAL AUDIT WORK – 2nd HALF-YEAR 2008/09

1. PURPOSE OF THE REPORT

- 1.1 To advise Members of the work undertaken by the Internal Audit Unit.

2. BACKGROUND

- 2.1 This Committee is responsible for considering the work undertaken by Internal Audit as part of the overall probity checking and systems testing of the Council. The Audit programme for 2008/09 was approved at the Committee's 19 March 2008 meeting.
- 2.2 Internal Audit's objective is to examine the Council's financial and non-financial systems to check that there are adequate internal controls in place to prevent loss due to frauds, errors and inefficiency, and that due attention is paid to Corporate Governance and risk management. A summary of the main audits completed is provided at 4. below and details are given at Appendix 1 of areas identified for improvement that were assessed as either 'High' or 'Medium' risk.

3. Overall performance

- 3.1 All of the fundamental systems will be audited in accordance with the 2007/08 audit plan, and it is expected that the majority of the non-fundamental systems audits will also be achieved.
- 3.2 The total audit time available was less than planned due to staff turnover (post vacant from May to mid-June 2008) and the need to train the new member of staff. Sickness per full-time equivalent employee (FTE) was 3.3 days. However, this was 1.94 days per FTE if leave relating specifically to maternity is excluded.
- 3.3 The Unit's performance measure was changed with effect from 2008/09 from the percentage of fundamental and non-fundamental systems audits achieved per the plan to compliance with the CIPFA Internal Code. To further compliance with the code, work is being progressed with other members of the 'Exeter Internal Audit Benchmarking Partnership' to enable peer reviews to be undertaken from 2009/10 onwards.

4. WORK UNDERTAKEN

Findings

- 4.1 **Council tax - valuation, liability and billing** – this audit is broken down into sections and work is undertaken throughout the year. Please see Appendix 1, point 1.1.

Based upon the manager's positive attitude to action the recommendations made, the operation of this part of the system will be considered to be operating at a good standard when the agreed actions are implemented.

4.2 **Housing Benefits –**

a) **fraud prevention and detection** – this audit is broken down into sections and work is undertaken throughout the year. Please see Appendix 1, point 1.2. Based upon the testing undertaken and the managers' positive attitude to action the recommendations made, the operation of this part of the system will be considered to be operating at a good standard when the agreed actions are implemented

b) **overpayments** – only two 'low' risk areas were identified, therefore, the operation of this part of the system is considered to be operated at a good standard

c) **payments and cheque control** – please see Appendix 1, point 1.3.

4.3 **Computer audits -**

a) testing is undertaken throughout the year to check that systems' controls are robust, users' access rights are authorised and appropriate, and adequate controls are in place to prevent unauthorised access. Work has been undertaken in conjunction with IT and Policy staff to ensure that the Council meets the requirements of, and can connect to, 'Gov Connect' (a Government secure network) by 31 March 2009.

b) financial and management controls – no areas for improvement were identified, therefore, this part of the system is considered to be operated at a good standard

4.4 **Housing –**

a) **tenancy allocations and lettings** - this audit is broken down into sections and work is undertaken throughout the year. Please see Appendix 1, point 1.4. Based upon the testing undertaken and the manager's positive attitude to action the recommendations made, the operation of this part of the system will be considered to be operating at a good standard when the agreed actions are implemented

b) **repairs and maintenance** – only two medium/high risks were identified in that:

i) works undertaken - it was difficult to locate supporting paperwork

ii) recharges – it was difficult to establish whether the debtor had been recharged the correct amount

Both recommendations were accepted with target dates of April and May 2009, therefore, this part of the system will be considered to be operating at a good standard when the agreed actions are implemented

4.5 **Planning** – no medium or high risks were found, therefore, based upon the testing undertaken, this system is considered to be operated at a good standard

4.6 **Creditors – ordering of goods and updating inventories** – from reviewing a sample of invoices paid across the Council examples were found:

- where official orders were not used for procuring goods, works or services
- of orders not containing sufficient detail of what was being ordered
- of insufficient separation of duties between ordering and receiving goods
- assets not being entered onto unit/section's inventories (e.g. cameras)

A general memorandum was sent to all heads of services asking them to remind their staff of the Financial Regulation requirements

4.7 **Treasury management** – please see Appendix 1, point 1.5. Based upon the testing undertaken and the manager's positive attitude to action the recommendations made, the operation of this part of the system will be considered to be operating at a good standard when the agreed actions are implemented

4.8 **Systems Based Auditing Series 7** – the matrices were published by CIPFA on 18 December 2008. As at mid-February, 203 copies have been sold, 197 of which were to local and police authorities. This series consists of five systems of: Sustainability, Procurement; Partnerships, Insurance and Value Added Tax.

5. **RECOMMENDATION**

5.1 That the Internal Audit Report for the 2nd half-year of 2008/09 be received

HEAD OF AUDIT

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling the report: None

CORPORATE SERVICES DIRECTORATE

AuditReport2008-09SR250309
March 2009

Appendix 1

1.1 Council tax - valuation, liability and billing

Executive Summary

From the testing undertaken, controls are in place and working in the following areas: identifying new and amended properties; processing Valuation Office listings; valuation, liability and billing reconciliations and checks; setting of council tax, and issuing of demands. However, the audit found the following areas for improvement:

| ‘High’ and ‘Medium’ priority areas | Action agreed? | Date agreed |
|---|---|----------------------------|
| 1. The on-line copy of the council tax legislation database not updated | Yes - updates of the on-line version will be obtained and loaded onto the computer Checks will be undertaken on an annual basis | Immediate Annually |
| 2. The Valuation Office had not action 25 notifications sent over two months ago | Yes – the outstanding notifications will be chased with the VO. (Note: as a result of this action, the VO issued an apology and prompt action resulted) | Immediate |
| 3. Outstanding diary codes/ recovery suppressions found | Yes – the cases have been investigated and continue to be valid. Checking procedures will be put in place | Immediate Immediate |
| 4. Delay found in taking action on a deceased persons’ list | (Note: Investigations found that the problem was due to limitations of the workflow system that cannot be resolved. Therefore future lists will have to be manually allocated for action) | Immediate |
| 5. Survey forms in respect of discount and disablement reductions had not been issued in the last 12 months | (Note: Investigations found that there was a problem with the software. This will be referred to the software’s IT consultants to correct) | Immediate |
| 6. Visiting notifications not produced for some void and exempt cases | Yes – this problem will be reviewed to identify a practical solution to address it, in the meantime a manual list will be produced | Jan 2009 |
| 7. Users’ access rights were not revised following a change of duties or found to be inappropriate (in respect of separation of duties) | Yes – the users’ rights have been amended | Immediate |

1.2 Housing Benefits - fraud prevention and detection

Executive Summary

From the testing undertaken, controls are in place and working in the following areas: policies and procedures; data matching
However, the audit found the following areas for improvement:

| ‘High’ and ‘Medium’ priority areas | Action agreed? | Date agreed |
|--|--|-------------|
| 1. The fraud investigators and visiting officers’ Code of Conduct had not been revised in accordance with the agreed Action Plan | Yes – the code will be reviewed and updated as necessary | Jan 2009 |

| 'High' and 'Medium' priority areas | Action agreed? | Date agreed |
|--|---|--------------------|
| 2. A formal risk assessment had not been undertaken for fraud investigators. The Safe Working Practice currently in use was out-of-date, for example, ensuring that visiting officers had returned by the times they had anticipated | Yes – the risk assessment will be discussed by the relevant managers and new procedures will be agreed and tested | Jan 2009 |

1.3 Housing Benefits - payments and cheque control

Executive Summary

From the testing undertaken, controls are in place and working in the following areas: policies and procedures; payments general; on-account and discretionary payments; payments to landlords

However, the audit found the following areas for improvement:

| 'High' and 'Medium' priority areas | Action agreed? | Date agreed |
|---|--|--------------------|
| 1. The HB team cannot cancel returned cheques because the interface between the HB and the eFIMS systems was not working | Yes – Treasury Services will repair the interface between the Academy and the eFIMS systems | 31 Mar 2009 |
| 2. Since the implementation of the new eFIMS system the report showing cheques more than 49 days old has not been available. Although the manual system introduced identifies these and other uncashed cheques, there is a chance that some cheques could be missed | Yes – Treasury Services will ensure that this report is made available from the eFIMS system | 31 Mar 2009 |
| 3. Individual reconciliations of housing rent and council tax to the financial and banking systems have not taken place since the new eFIMS system was implemented | Yes – reconciliations have now been reinstated | Immediate |

1.4 Housing - tenancy allocations and lettings

Executive Summary

From the testing undertaken, controls are in place and working in the following areas: processing housing register applications; allocating the correct preference band; processing change of circumstances; notification of void properties; appeals, reviews, complaints and checks; application for and allocation of properties, and performance standards

However, the audit found the following areas for improvement:

| 'High' and 'Medium' priority areas | Action agreed? | Date agreed |
|--|---|--------------------|
| 1. Service level agreements not regularly monitored | Yes - a new 'Devon Home Choice' scheme is due to be introduced during this year and new SLAs will be produced. Quarterly operational meetings which be introduced that will involve monitoring the SLAs | 2009 |
| 2. In-house and external training courses attended are not recorded on staff's training manuals | Yes - details of all training courses will be recorded on the 'PRO 4' system. The records will be regularly reviewed by managers to identify any training needs. | 01 Mar 2009 |
| 3. Lack of procedures to prevent staff being involved in cases in which they have declared an interest | Yes - procedures will be reviewed to decide how to restrict involvement | 01 Apr 2009 |
| 4. Over 5,000 Housing e-mails are stored on the Outlook system | Yes – the Council's Information Manager will be contacted and asked to review how e-mails should be stored, classified and disposed of | 01 Mar 2009 |
| 5. Insufficient checks if applicants owe previous rent arrears | Yes - new procedure now agreed that require staff, when processing an application and before making an offer, to confirm that they have checked the housing rents system for former and current arrears | Immediate |
| 6. The allocation of properties is not reviewed by management | Yes – spot checks will be undertaken to check that: a) procedures have been correctly followed b) reasonable preference has been given to applicants in all reasonable preference categories | 01 Mar 2009 |

1.5 Treasury management

Executive Summary

From the testing undertaken, controls are in place and working in the following areas: cash-flow; capital investment; payments; external service providers; records and reconciliations, and monitoring and reporting

However, the audit found the following areas for improvement:

| 'High' and 'Medium' priority areas | Action agreed? | Date agreed |
|---|--|--------------------|
| 1. The lending and borrowing procedures had not been updated to show the Investment Strategy amendments | Yes - the Treasury Management systems documents will be updated with the amendments | 31 Jan 2009 |
| 2. The last three monthly reconciliations had not been signed as checked by a senior manager | Yes - all of the reconciliations have now been and signed. Checks will be undertaken monthly from now on | Immediate |
| 3. The current procedures did not detail the type of institutions that the Council will deal with | Yes – this was reported to the Executive in December 2008. The Treasury Management system documents will be updated accordingly | 31 Jan 2009 |
| 4. The staff covered by the Council's fidelity guarantee insurance cover needed updating | Yes – a meeting was held with the Council's insurers and they insurance policy has been amended to extend the cover to include all of the staff who may be involved in the process (including those providing absence cover) | Immediate |

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 25 MARCH 2009

INTERNAL AUDIT PLAN 2009/10

1. PURPOSE OF THE REPORT

- 1.1 To seek the Committee's approval of the 2009/10 Internal Audit plan.

2. BACKGROUND

- 2.1 The Internal Audit strategy was established in line with internal control and risk management best practice. The Council's internal auditors have enhanced the traditional Systems Based Auditing approach to align it with The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) *Enterprise Risk Management - Integrated Framework*. The COSO framework is recognised as the international risk management standard.
- 2.2 The Council's 'Enhanced Systems Based Auditing' (ESBA) ensures that risk is considered as well as financial aspects. Non-financial systems (such as health & safety, risk and business continuity management, data quality) are afforded the same 'fundamental systems' classification as traditional important financial systems such as creditors, housing benefits, payroll and council tax. The financial and non-financial fundamental systems are audited on an annual basis using the Council's ESBA control matrices testing papers. The remaining 'non-fundamental' systems are normally audited at least once over a three-year period.
- 2.3 The 2009/10 audit plan has been established in accordance with the audit strategy, but for this year reflects the reduction of auditors' days available due to maternity leave. To cover for this absence within existing resources, there has been a need to reduce the audit days allocated to some fundamental systems and move the auditing of some non-fundamental systems that were due in 2009/10 to the following year. However, Members can be assured that those systems and sub-systems considered to be high or medium risk will continue to be subject to appropriate audit coverage.
- 2.4 The means for establishing the annual audit plan is an *Audit planning matrix* devised by the 'Exeter Internal Audit Benchmarking Partnership' (please see Appendix 1). Under the 'materiality' heading assessments are made of various factors including finance and reputation. Each system is subject to this assessment, and an indication is obtained of the number of days of audit coverage that should be provided. Computers and housing benefits continue to be the two main risk areas. Computers because of the Council's heavy reliance on IT systems, and benefits because fraud risks and the affects of any loss in grant income.

3. RECOMMENDATION

- 3.1 That the 2009/10 Internal Audit Plan be approved.

HEAD OF AUDIT

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling the report:

None

AuditPlan2009-10SR250309

March 2009

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Audit planning matrix

| Ref | Factors | Explanations | Risk scores Low =1 High = 5 |
|-----|---|--|-----------------------------------|
| 1 | Residual risk rating (i.e. audit assurance/perception) | Results of previous audit reviews (e.g. identified problems) | 1 to 5 |
| 2 | Materiality: | Likely impact of something going wrong in a particular system or area | |
| 2a) | <i>reputation/sensitivity:</i> <ul style="list-style-type: none"> • minimal impact on organisation's image • adverse internal criticism • adverse external criticism • public/media concern • public/media outrage | | 1 2 3 4 5 |
| 2b) | <i>complexity of system/IT use, security, availability/data quality:</i> <ul style="list-style-type: none"> • simple/minimal/(data) unclassified • straightforward/infrequent/protect • complicated/occasional/restricted • complex/frequent/sensitive personal • very complex/considerable/restricted to CX and directors | | 1 2 3 4 5 |
| 2c) | <i>finance - direct and indirect:</i> <ul style="list-style-type: none"> • nominal financial loss/cost • low financial loss/cost • medium financial loss/cost • high financial loss/cost • service or mission critical financial loss/cost | | 1 2 3 4 5 |
| 2d) | <i>operational impact/failure:</i> <ul style="list-style-type: none"> • minimal disturbance to operations • occasional interruptions to operations • regular interruptions to operations • frequent delays unable to proceed effectively • cessation of corporate objectives | | 1 2 3 4 5 |
| 3 | Inherent risk rating | Risk of errors or problems occurring (i.e. due to inadequate or ineffective internal controls) | 1 to 5 |
| 4 | Staff morale and turnover, and the effects of likely or due changes in procedures or systems | Risk of errors or problems occurring due to low morale, high turnover or changes in methods | 1 to 5 |

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Appendix 2

| INTERNAL AUDIT PLAN 2009/10 | Audit days |
|--|-------------------|
| Computers | 135 |
| Housing benefits | 130 |
| Risk and business continuity management (including roll-out to services) | 45 |
| Accounting | 40 |
| Creditors | 40 |
| Housing – rents, repairs and advisory services | 31 |
| Payroll and PAYE | 33 |
| Council tax | 30 |
| Data quality and performance indicators | 30 |
| Information management and security - data protection, freedom of information and records management | 30 |
| Sustainability/climate change | 20 |
| Procurement | 17 |
| Debtors | 15 |
| Corporate governance | 15 |
| Health and safety | 15 |
| Contracts | 10 |
| Non-domestic rating | 10 |
| Property and estates | 8 |
| Car parks | 6 |
| Financial regulations compliance | 5 |
| Cleansing - domestic and trade clinical waste, trade refuse and recycling/MRF | 5 |
| Car allowances and claims | 3 |
| Insurance | 3 |
| Security – general | 3 |
| Treasury management | 3 |
| Contracts and building services (BEST) | 3 |
| Value added tax | 3 |
| Partnerships | 3 |
| Cashiers, general banking and income | 2 |
| Flexi-time | 2 |
| Travel and subsistence | 2 |
| Private sector housing (improvement grants) | 2 |
| Festivals and events | 2 |
| Inventories | 1 |
| Petty cash | 1 |
| Reprographic centre | 1 |
| Telephones and private usage | 1 |
| Museums service | 1 |
| Members' expenses | 1 |
| Miscellaneous – contingency, external audit liaison/review, grants, stocktaking | <u>70</u> |
| Total | <u>777</u> |

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE – RESOURCES 28 MARCH 2009

IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

1. PURPOSE OF THE REPORT

- 1.1 To inform members on the transition to International Financial Reporting Standards (IFRS) reporting for local authorities. This report also highlights the likely timeframes for introduction and the possible impact this may have on resources.

2. BACKGROUND

- 2.1 The annual financial statements for this council and all other local authority entities are currently prepared using accounting policies based on UK Generally Accepted Accounting Practice (UKGAAP).
- 2.2 In order to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice, local government bodies are to move to preparing their financial statements using International Financial Reporting Standards (IFRS). These standards will be adapted as necessary for the public sector.
- 2.3 The timetable is such that the 2010/11 accounts for local authorities will be the first to be prepared on an IFRS basis. However prior to this, the Council will need to prepare for the transition to this new basis. The date of transition to IFRS will be 1 April 2009 and the accounts for 2009/10 will need to be re-stated in line with IFRS in order to have comparatives against the 2010/11 accounts.
- 2.4 One year ahead of local government is the introduction of IFRS to Central Government and NHS Foundation Trusts. It is envisaged that it will be possible to learn valuable lessons from these bodies, as well as from the experiences of the private sector.

3. WHAT CHANGES WILL IFRS BRING ABOUT?

- 3.1 Although the full details of the impact of IFRS upon the Council are not currently known it will undoubtedly be a significant change to the existing financial reporting arrangements. The volume and complexity of the new standards will present a challenge.
- 3.2 Listed below are some of the changes likely to affect the way that the Council reports its financial accounts:-
- **Fixed Assets** – IFRS requires fixed assets to be held at ‘fair value’ as opposed to the current requirements for ‘current value’. This may also mean that revaluations of assets will need to be undertaken on a more regular basis than current arrangements.

- **Leases** – IFRS requires that the leases of land and buildings to be accounted for and disclosed separately. Also reassessment as to whether leases are finance or operating leases (basis has changed).
- **Joint ventures and associates** – under IFRS a local authority only needs the power to influence another entity (rather than to actually exercise it) for it to be treated as part of the group
- **Employee Benefits** – under IFRS there will be a requirement to accrue for holiday pay earned but not yet taken. This will also cover other employment benefits e.g. flexi time accrued. There is an added complication for Exeter City Council as the starting point of the leave year for employees is based upon their actual birthday.

3.3 These and other potential areas will need to be examined further over the coming months to establish the level of impact.

4. KEY ACTIONS TO BE TAKEN

4.1 Although the council's 2010/11 accounts will be the first to be prepared on an IFRS basis, there will be a number of key tasks to be undertaken prior to that time. These include:

- restating the 2009/10 accounts on an IFRS basis;
- the opening balances at 1 April 2009 will need to be on an IFRS basis
- Whole of Government Accounts (WGA) will be on an IFRS basis from 2009/10; and
- The impact on budgets, the council tax, our systems and staff training are all areas which need to be considered.

4.2 It is recognised that in the private sector, introduction of IFRS was most successful where functions other than finance were also involved at an early stage, such as estates and human resources.

4.3 It is important that we engage with our external auditors throughout the transition period in order to establish any audit trail or working paper expectations, materiality considerations, preliminary views on accounting treatment, audit timetable and arrangements for ongoing communication.

5. CURRENT POSITION

5.1 A number of seminars on the introduction of IFRS have been attended and it is envisaged that further seminars will be attended over the coming months as further clarification on its application is given.

5.2 Discussions have already taken place at countywide finance officer meetings and we are a member of the IFRS Project Board, hosted by Devon County Council. This is also attended by the Audit Commission and it is hoped that the Board will enable us to share best practice and have a consistent agreed approach for the implantation of IFRS.

5.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) is currently working on producing a draft Code of Practice for IFRS with consultation being undertaken during spring 2009 and a final code being issued in autumn 2009.

6. CONCLUSION

- 6.1 Introduction of IFRS is a major change to public sector accounting and due to potential complexities involved; adopting a structured approach to its implementation should ensure a smooth transition.
- 6.2 Although the council's 2010/2011 accounts will be the first to be published under the new IFRS, there is much work to be carried out in the meanwhile and this may involve some additional resources.

7. RECOMMENDATION

- 7.1 That Scrutiny Committee – Resources note the contents of this report.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling the report:

None

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