

SCRUTINY COMMITTEE - RESOURCES

25 November 2009

Present:

Councillor Coates (Chair)

Councillors D J Morrish, M A Baldwin, P J Brock, R M Hannaford, Hobden, Martin, Prowse, Shepherd, Thompson and Wardle

Chief Executive, Director Corporate Services, Director Community and Environment, Assistant Chief Executive, Head of Treasury Services, Head of Audit and Member Services Officer (SJS)

Also present:

Councillor Fullam (*Leader*)

Mr M Lee: Focus Consultants (UK) Limited, Project Manager, RAMM Development Project

Ms J Masci: Representative from Grant Thornton, the Council's External Auditor

Mr B Morris. Representative from Grant Thornton, the Council's External Auditor

58 **Minutes**

The minutes of the meeting held on 16 September 2009 were taken as read and signed by the Chair as correct.

59 **Declarations of Interest**

Members made no declarations of interest.

60 **Annual Audit Letter - 2008/09**

Mr Morris and Ms Masci of Grant Thornton, the Council's External Auditor, presented the Annual Audit Letter for 2008/09.

Mr Morris outlined to Members the context in which the work had been undertaken stating that the Council had prepared good quality financial statements, in line with statutory requirements. The Council had managed a challenging financial position and the projected outcome for the present year was a £300k underspend.

Mr Morris stated that Grant Thornton had recognised some innovative approaches adopted by the Council in the delivery of quality services an example of which was the Green Accord Scheme. The Audit Commission had confirmed that this example was one of those that they intended to publish on their internet site with a view to promoting good practice nationally. Housing Services had developed a good Service Improvement Plan and had demonstrated a good understanding of its costs and factors that influenced these by comparing and benchmarking unit cost information.

In answer to Members' questions, Mr Morris clarified:-

- the size of the paper report on the Use of Resources had been unavoidable as there was a new reporting system, in future years it was anticipated that the report would be shorter
- Exeter City Council had been compared to other Local Authorities both locally and nationally to assess its score

- Grant Thornton would be publishing Best Practice Guidance from Local Authorities that scored 3 and 4: this would help the Council to design a action plan which could help to move the Council up to level 3
- there would be a joint Seminar of the South West Local Authorities in which Best Practice in the region could be shared.

The Chair thanked Mr Morris and Ms Masci for their presentation.

The Scrutiny Committee - Resources noted the letter.

(Report circulated)

61 **Use of Resources 2009 - findings and conclusions**

The Use of Resources – findings and conclusions was submitted.

The Scrutiny Committee - Resources noted the report.

(Report circulated)

62 **The Leader's half yearly report**

The Leader updated Members on progress on the priorities in terms of the budget and providing value for money across the Council's services:-

This year:-

- Exeter residents enjoy the fifth lowest (district) level of Council Tax
- Exeter suffered a poor grant settlement of just 0.9% increase
- Good Auditor's report indicating sound financial performance
- Icelandic Banks investments set to be substantially recovered – currently estimated at 90% recovery.

The increased revenue pressures were:-

- Increased cost of Concessionary Fares
- Falling investment income
- Falling Car Park revenues
- Falling Planning & Building Control Income
- Large reduction in LABGI grant in comparison with previous years

And in response:

- Over £2.5 million of savings identified in the current budget – on target to be achieved.
- Tight management of vacancies and opportunities for efficiencies.

He outlined the Key variances to the Budget

- Archaeology (-£296k)
- Car Park Income & Rates (-£184k)
- Housing costs (-£117k)
- Investment Interest (-£100k)
- Planning Fees (-£50k)
- LABGI grant (-£44k)
- Building Control (-£39k)
- LGR (+£700k)
- Redundancy provision (+£166k)
- Markets/Halls/Commercial (+£116k)
- Increased HB subsidy (+£115k)

- Recycling (+£38k)

The overall budget under-spend was anticipated to be £300k, with a projected withdrawal from balances of £2.2 million (Budget: £2.5 million)

Over the next year:-

- Likelihood of improved funding for concessionary bus fares
- Major fiscal problems nationally
- Likelihood of frozen/reduced grant settlements
- Threats of further income falls
- Solvency of debtors
- Increased demand on services
- Disproportionate effect of public sector cuts
- Continued savings required to stabilise budget
- Sufficient reserves required to weather a “second phase” of recession
- £1 million savings identified and prepared for scrutiny
- £600,000 to £1.4 million of further savings required over following two years

In answer to Members’ questions, Councillor Fullam commented:-

- the changes to the concessionary bus fare scheme were out for consultation and it was hoped that the funding rebate of £1.65 million would be received before the end of the financial year; there was also a separate consultation taking place for a new scheme for year 4 onwards
- there had been a reduction in income in Building Control this was due to the fact that the Council had to compete with private companies and other local authorities and also the down turn in the economy
- efficiencies would have to be made and there could be a reduction in some council services; long standing vacant posts would be deleted
- his Group’s priorities were Housing and Street Cleaning
- discussion had already taken place with Unison regarding the need for budget cuts and the Resources Budget Working Group would be meeting next week to discuss proposals
- the proposed Council Tax increase for 2010/2011 would be 4.5% as per the medium term financial plan.

PERFORMANCE MANAGEMENT

63 AIM Property Maintenance Progress 2009/10

The joint report of the Head of Contracts and Direct Services, Head of Housing Services, Head of Treasury Services and Head of Estates was submitted.

The Scrutiny Committee – Resources noted the financial position of the £7.4 million programme of reactive and planned property maintenance and refurbishment for 2009/10.

(Report circulated)

64 Performance Monitoring 2009/10

The report of the Director of Corporate Services was submitted.

The Scrutiny Committee – Resources noted the report.

(Report circulated)

65 Resources Scrutiny Stewardship to September 2009

The report of the Head of Treasury Services was submitted.

The Scrutiny Committee – Resources noted the report.

(Report circulated)

66 Corporate Complaints Monitoring

The report of the Assistant Chief Executive was submitted.

In response to a Member's question regarding when a wider review of the complaints handling system would take place, the Assistant Chief Executive indicated that there was no plan at this stage of when to instigate a review. Before establishing whether a Review was necessary, comparative work would be done with other Devon districts to identify examples of best practice and any gaps in the Council's current system.

Members were assured that services were continuing to use customer complaints to improve services but that perhaps more work might be done to communicate this back to complainants. The Corporate Complaints Group, with representatives from across services continued to work to identify issues with the System, for example, work would be done with Housing to pick up on issues identified in the Mock Housing Inspection.

The Scrutiny Committee – Resources noted the report.

(Report circulated)

MATTERS FOR CONSIDERATION BY THE EXECUTIVE

67 Capital Monitoring Statement

The Head of Treasury Services presented the report setting out the current position in respect of the Council's annual capital programme and advised Members of the anticipated variations.

Members were informed that the capital programme for the current financial year was £25,307,040. It was projected that £1.4 million of the programme would need to be carried forward into future years. During the first six months of the current financial year the Council spent £6,013,431 of the 2009/10 Capital Programme. This equated to 23.8% of the revised Capital Programme being spent in the first six months of 2009/10, this was slightly higher than the 19.6% that had been spent in the first six months of 2008/09.

In response to Members' questions, the Director Community and Environment stated that the Housing Revenue Account budget for upgrading Council roads and footpaths was a small residual sum rolled over from the previous years programme of re-surfacing garage forecourts. The budget was deleted and the funds transferred would help to ease overspends in the responsive maintenance budget. The budget could be reinstated should the need arise. Regular surveys were undertaken to identify asbestos although additional areas where asbestos was present were sometime uncovered during routine maintenance work and when this happened the problem had to be addressed immediately.

The Scrutiny Committee - Resources:-

- (1) noted the current position in respect of the annual capital programme; and
- (2) requested Executive to amend the Council's annual capital programme as outlined in Appendix 2 of the report.

(Report circulated)

68 **Overview of the General Fund Revenue Budget 2009/10**

The Head of Treasury Services presented the report advising Members of the overall projected financial position of the General Fund Revenue Budget after six months, for the 2009/10 financial year. He informed Members that the outstanding debt at 31 March 2009 was £4.061m but by October 2009 it was £3.001m. The aged debt showed that of the £3.001m debt, £0.7m was less than 30 days old. Debt over 30 days old had decreased over the ten months from £2.691m to £2.229m. The Council was now predicated to have an underspend of £300k for 2009/10.

The Scrutiny Committee - Resources supported the report and recommended approval by Executive of the:-

- (1) forecast financial position for the 2009/10 financial year;
- (2) HRA forecast financial position for 2009/10 financial year;
- (3) outstanding Sundry Debt position as at October 2009;
- (4) recovery position of Icelandic investment; and
- (5) Statutory Performance Indicator BVPI8 for creditor's payments.

(Report circulated)

69 **Annual Statement of Minimum Revenue Position**

The Head of Treasury Services presented a report on the Annual Statement of Minimum Revenue Provision for the Council. The Council had not made a Statement before as it had been debt-free last year and did not believe that it was necessary. However it had since been clarified that all Authorities were required to make a Statement regardless of whether they had debt.

The Head of Treasury Services outlined the Minimum Revenue Provisions (MRP) options and in respect of 2008/09 and 2009/10, the Council would match borrowing against specific capital investment and adopt the Asset Life (Equal Instalment) Method for MRP.

In response to a Member, the Head of Treasury Services confirmed that it was intended to use the same option each year.

The Scrutiny Committee - Resources supported the report and recommended approval by Executive of the Annual Statement of Minimum Revenue Provision.

(Report circulated)

70 **Treasury Management half year report 2009/10**

The Head of Treasury Services presented a report on the current performance for the 2009/10 financial year and the position regarding investments and borrowings as at 30 September 2009. The General Fund showed an estimated net reduction in interest received compared to the budget, the net interest was £99,500 this was due to lower interest rates than anticipated.

The Head of Treasury Services advised that the Icelandic Government supported local authorities as preferred creditors although this could be challenged in the courts by other creditors. The solicitors working for the LGA had prepared claims for local authorities to be submitted to the Banks, it was anticipated that the process to recover the funds could be protracted and that the Council would not know if it was a preferred creditor until at least July 2010. The costs involved in recovering the funds would be minimised as one firm of solicitors would be acting for all local authorities affected.

The Scrutiny Committee - Resources supported the report and recommended approval by Executive.

(Report circulated)

71 **Housing Benefits Staffing**

The Head of Treasury Services presented the report to seek approval for an increase in the establishment of the Housing Benefits Team by 1 full time member of staff. The Council case load had increased by 7% and the Government had recognised the pressures that local authorities were facing with regard to their statutory duty of administering housing benefit claims. As a result of an increased grant from Government the additional amount of funding that Exeter would receive in 2009/10 was £50,249.

In response to a Member's question, the Director Corporate Services stated that the Council sought to fill posts internally whenever possible but if was not successful then posts were advertised externally.

Scrutiny Committee - Resources supported the report and recommended approval by Executive of the creation of an additional post of Benefits Assessment Officer at Grade 5.

(Report circulated)

MATTERS FOR CONSIDERATION BY SCRUTINY COMMITTEE - RESOURCES

72 **Internal Audit Work - 1st Half Year 2009/10**

The Head of Audit presented the report advising Members of the work undertaken by the Internal Audit Unit. This Committee was responsible for considering the work undertaken by Internal Audit as part of the overall probity checking and systems testing of the Council. The 2009/10 Audit programme was approved at this Committee's 25 March 2009 meeting.

The Scrutiny Committee – Resources noted the report.

(Report circulated)

73 **Risk Management**

The Head of Audit presented the report advising the Committee of the Council's risk management process and to seek approval for the updated corporate risk register. He informed Members that external factors within the economic climate had resulted in new risks and changes to some of the existing scores.

In response to a Member, the Director Community and Environment stated that the New Council Housing Building Programme was a medium risk due to the effect of possible project overspends or not delivering the project within Government timescales.

The Scrutiny Committee – Resources approved the updated Corporate Risk Register and noted the risk management progress to date.

(Report circulated)

74 **Scrutiny Committee Resources - Budget Working Group**

The Scrutiny Committee - Resources appointed Councillor Coates, Hobden, Martin and D. J. Morrish to the all party Resources Budget Working Group which would consider the budget savings proposals for 2010/11.

The meeting would take place on Tuesday 1 December 2009 at 2.00pm.

MATTERS FOR CONSIDERATION BY THE EXECUTIVE

75 **Local Government (Access to Information) Act 1985 - Exclusion of Press and Public**

RESOLVED that, under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the consideration of the following items on the grounds that they involved the likely disclosure of exempt information as defined in Paragraphs 1, 3 and 4 of Part I, Schedule 12A of the Act.

76 **Information Management Staffing**

The Director Corporate Services presented the report that requested approval for the changes to the staffing in Information Management and of various other staffing changes to both the Corporate Customer Services and IT Services Units.

He stated that the revised arrangements would provide a more resilient and flexible service whilst also addressing the funding loss for the part-time GIS officer, which was funded from the Capital Programme, and provide an overall saving to the Council of approximately £8,000 in a full year.

The Scrutiny Committee - Resources supported the report and recommended that the Executive approve:-

- (1) the restructuring of the Information Management service, as detailed in the report.
- (2) the employment of the holder of the post of Information Manager CSO7150 be terminated on the grounds of redundancy on 31 December 2009 in accordance with the provisions of Regulation 19 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007;

- (3) compensation be paid to the holder of post CSO7150 in accordance with the discretion exercised by the Council under the provisions of the Local Government (Early Termination) (Discretionary Compensation) (England and Wales) Regulations 2006;
- (4) a payment of compensation to be made in respect of the unexpired period of notice to which the employee would otherwise have been entitled under the contract of their employment.

(Report circulated to members)

77 **RAMM Project Progress Report**

The Director Community and Environment presented the report updating Members on the current situation with respect to the various contracts now let for the RAMM Development Project.

Members were informed of the on site progress, fit-out and displays, the budget position including grants awards and applications, the appointment of a programme consultant, risks and the S151 Officer Statement.

Members discussed the progress made to date, the anticipated opening date and the possibility of a soft opening. They acknowledged the financial risks involved and appreciated all the hard work of the officers on this difficult and complex project.

The Director Community and Environment stated that the opening was anticipated to be in May or June 2011. In answer to a request from a Member she agreed to ask the project team to look at the feasibility of a phased opening although she feared that this would be impracticable.

Michael Lee from Focus Consultants (UK) Limited, the Project Manager for the RAMM Development Project, gave a short presentation to Members updating them on the current position with regards to the project. He outlined the methodology and approach which included Issues Analysis, Risk/ Cost Assessment Workshops, Strategic Cost Reports and Risk Reduction/ Control Measures. He updated Members on the current financial position.

The Chair thanked Mr Lee for his presentation.

The Scrutiny Committee - Resources placed on record their appreciation for all the work officers had put into the taking forward this project, the Committee supported the report and recommended Executive to approve:-

- (1) the report;
- (2) agree to settle the current outstanding claims, as set out in paragraph 4 of the circulated report, the remainder of the report be accepted; and
- (3) a new budget for the project of £20.355m.

(Report circulated to members)

The meeting commenced at 5.30 pm and closed at 8.10 pm

Chair