

SCRUTINY COMMITTEE - RESOURCES

24 March 2010

Present:

Councillor Coates (Chair)

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

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

Also present:

Mr B Morris, Representative from Grant Thornton, the Council's External Auditor
Ms J Masci, Representative from Grant Thornton, the Council's External Auditor

13 Minutes

The minutes of the meeting held on 27 January 2010 were taken as read and, subject to the following addition to Min. No.6 Capital Programme 2010/11 to 2012/13 'Members would be circulated with further information regarding Well Oak Park and King William Street Car park', were signed by the Chair as correct.

14 Declarations of Interest

Members declared the following personal interests:-

COUNCILLOR	MINUTE
Councillor P J Brock	24 (Member of Devon County Council)
Councillor Martin	24 (Employee of Devon County Council)
Councillor Thompson	15 (daughter owns a property in Well Oak Park)

15 QUESTIONS FROM THE PUBLIC UNDER STANDING ORDER No.19

In accordance with Standing Order 19, two questions were submitted.

Councillor Mrs Thompson declared a personal interest as her daughter owns a property in Well Oak Park.

Mr Wilkins attended and put his question which related on the minutes of the last meeting to the Committee, the Chair responded.

A Member confirmed that the figures that he requested at the last meeting had been circulated.

Mr Wilkins replied that he felt that the Councillors had been misled with regards to the options for the footpath at Well Oak Park and that there was a better route for the footpath which was cheaper and would be easier to construct. The proposed route would encourage crime and anti social behaviour. He was of the opinion that the Council should undertake an options appraisal into an alternative route for the footpath as the route as proposed did not provide value for money.

A question from Mr. W Sharpe on the proposed footpath through Well Oak Park was submitted and the Chair responded.

Copies of the questions had been circulated to Members and were made available at the meeting. The questions and the replies from the Chair are appended to the minutes.

16 Questions from Members under Standing Order No.20

In accordance with Standing Order No.20, Councillor Martin put a question and supplementary question regarding the RAMM budget to the Leader of the Council. The questions and the replies are appended to the Minutes.

17 Audit Fee Letter 2010-11

Mr Morris and Ms Masci of Grant Thornton, the Council's External Auditor, presented the Audit Fee letter 2010-11.

Mr Morris stated that this was the second year that the Audit Fee letter had been in this format. Members were updated on the audit fee proposed for 2010/11 which was £133,830. The scale fee had been increased by 6% due to the extra work required in the transition to International Financial Reporting Standards (IFRS). This was a one off increase in cost and the Audit Commission had confirmed its intention to off set the increase by a subsidy of 6%.

In response to Members' questions, Mr Morris stated that the Audit Fee was based on prescribed rates as set out by the Audit Commission and that Grant Thornton worked with the Council to see where savings could be made and services delivered more efficiently. He confirmed that it was too early to say what effect the budget announcement today could have on the Council's financial position.

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

The Scrutiny Committee – Resources noted the letter

(Letter circulated)

18 Grants Report 2008-09

Mr Morris and Ms Masci of Grant Thornton, the Council's External Auditor, presented the Grants report 2008-09 to Members.

Those Members of the Final Accounts Committee who were not also Members of the Scrutiny Committee had been invited to attend for this item.

Ms Masci stated that the Grants Report provided a certification on the accuracy of grant claims and returns to various government departments and other agencies. The arrangements for certification were prescribed by the Audit Commission.

Members were updated on the key messages on the aspects of the certification arrangements and the action plan that had been drawn up.

Mr Morris informed Members that the Council accuracy of grant claims was good and when bench marked against other local authorities was one of the lowest in the country for inaccuracies. He stated that this reflected the good work of officers.

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

The Scrutiny Committee – Resources received the report and endorsed the proposed actions.

(Report circulated)

PERFORMANCE MANAGEMENT

19 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 third quarter financial position of the £7.4m programme of reactive and planned property maintenance and refurbishment for 2009/10.

(Report circulated)

20 Resources Scrutiny Stewardship to 31 December 2009

The report of the Head of Treasury Services was submitted.

The Scrutiny Committee – Resources noted the report.

(Report circulated)

MATTERS FOR CONSIDERATION BY THE EXECUTIVE

21 Overview of Revenue Budget 2009/10

The Head of Treasury Services presented the report which advised Members of the overall projected financial position of the General Fund Revenue Budget after nine months, for the 2009/10 financial year.

The Service Committee budgets showed a forecast under spend of £512,550 against a revised Service Committee Net Expenditure budget of £19,812,850 and an overall under spend of £1,045,140 against the General Fund Expenditure including investment interest, Business Growth Incentive Grant and the provision for redundancy.

The Head of Treasury Services stated that the Scrutiny Committee - Resources had an underspend of £713,580 which was partly due to the delay in announcing the final decision in respect of the Local Government Review (LGR). However, the recent decision announced regarding the City Council's successful bid for unitary status would now mean that funding would have to be identified next year to fund the necessary transitional costs.

Members were updated on the outstanding debt position which was £3.571 million as at 31 December 2009 and the creditors' payment performance which showed that the percentage paid within 30 days was 96.2% for the first three quarters of 2009/10. The forecast General Fund Working Balance at 31 March 2010 was £3,425,849, which equated to 17.2% of the budgeted General Fund net expenditure.

In response to a Member's question, the Head of Treasury Services stated that over 90% of the Housing benefit overpayments were recovered, which compared well against other local authorities. The Council had a good record in detecting fraud with housing benefit claims.

The Head of Treasury Services informed Members that with regards to the challenge to the decisions made by the Icelandic Banks, it was anticipated that the earliest date that the matter would be considered by Icelandic Courts would be November 2010. If the matter then went to the Supreme Court, the situation may not be resolved until March 2011 at the earliest.

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

- (1) General Fund 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 31 December 2009;
- (4) recovery position of Icelandic investments; and
- (5) Statutory Performance Indicator BVPI8 for creditor's payments.

(Report circulated)

22 **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.

He informed Members that during the first nine months of the current financial year the Council had spent £10,560,958 of the 2009/10 Capital Programme. This equated to 41.6% of the revised Capital Programme being spent in the first nine months of 2009/10, compared to £10.16 million (48.4%) being spent in the first nine months of 2008/09. It was anticipated that £1,565,490 would be carried forward into 2010/11.

A Member commented that he felt that the budget for proposed toilet refurbishment at the Corn Exchange was rather high and that he was pleased to see that the Multi Use Games Area at Pendragon Road was open.

The Scrutiny Committee – Resources noted the report and recommended approval by the Executive of the annual capital programme.

(Report circulated)

23 **Icelandic Banks - Financial Update**

The Head of Treasury Services presented the report to update Members on the latest financial position regarding the money deposited with the Icelandic banks and the implications that this had on the Council's overall revenue budget.

Members were updated on the position regarding the unsuccessful application to capitalise £1.832 million. At the time the Council made the submission to the Communities and Local Government (CLG) the Council was and still remained satisfied that it met all the criteria laid down by CLG. The Council had not yet received any specific detail as to why it was unsuccessful with its submission. The Council had been successful however in its request to capitalise statutory redundancy expenditure of £500,000.

The Head of Treasury Services informed Members that the Council was continuing to work with other interested parties in seeking a review the of capitalisation decision from the CLG. In the short term, the Council could function with a low level of balances although, in the medium term, it would be necessary to identify further one-off savings of £1.832 million in order to restore balances to the prudent level that was required.

In response to a Member's question, the Director Corporate Services stated that it was too early to confirm if the £1 million budget for the LGR would sufficiently cover the work needed for the transition to a Unitary Authority.

In answer to a Member, the Head of Treasury Services stated that the Council had reviewed its Investment Strategy in light of the Icelandic bank crisis which included advice from credit agencies. If the Council could capitalise the loss from the Icelandic banks it would mean that the cost could be spread over the next 25 years.

The Scrutiny Committee - Resources noted the report and recommended approval by the Executive that:-

- (1) the Council capitalises its statutory redundancy payments for 2009/10 and 2010/11; and
- (2) if a positive decision on capitalising the Icelandic impairment is not forthcoming then further measures to reduce the revenue budget outlined in the report be adopted.

(Report circulated)

24 **Corporate Governance Risk Register - Annual Review**

Councillor P J Brock declared a personal interest as a Member of Devon County Council.

Councillor Martin declared a personal interest as an employee of Devon County Council.

The Head of Audit presented the report on the Council's Corporate Governance Risk Register Annual Review and sought Members' support to submit the updated corporate risk register to the Executive for approval.

Members' attention was brought to the changes that had been identified in the risk register.

In response to Members' questions regarding the loss of the Exeter Waste Transfer Station, the Director Community and Environment clarified that on 2 February 2010 the County Council had notified the City Council that it wished to revert to the original proposal made in 2004 of delivery of waste to Heathfield with effect from 31 March 2010. Although the timescales were tight, the necessary licences regarding the transfer of waste to Heathfield would be obtained by the 31 March 2010.

She stated that Devon County Council had now agreed to meet the majority of the additional costs that the City Council would incur by the delivery of waste to Heathfield although there were some issues still to resolve such as recompense for the cost of wear and tear on vehicles. Devon County Council and the City Council were working together on the transfer of waste to Heathfield to ensure that an acceptable solution was reached.

Members were informed that the Head of Waste, Engineering and Transport Services, Devon County Council had attended and addressed the Scrutiny Committee – Community on 9 March 2010.

Members asked that Executive note the Committee's support for the case that the City Council should receive a full financial settlement from Devon County Council in respect of any additional costs that the City Council would incur by the transfer of waste to Heathfield.

The Scrutiny Committee - Resources:-

- (1) reviewed the updated Corporate Risk Register; and
- (2) approved submission of the annual corporate risk register to the Executive.

(Report circulated)

25 **Annual Sustainable Procurement and Commissioning Report 2010/11**

The Director Corporate Services presented the report updating Members on the progress made against last year's Procurement Action Plan, outlining the Sustainable Procurement and Commissioning Action Plan for 2010/11 and seeking approval for a Sustainable Procurement and Commissioning Strategy,

The Chair commented that the Green Accord had been well received nationally.

The Scrutiny Committee - Resources supported the Sustainable Procurement and Commissioning Action Plan for 2010/11 and recommended to the Executive that it approve the Sustainable Procurement and Commissioning Strategy.

(Report circulated)

MATTERS FOR CONSIDERATION BY SCRUTINY COMMITTEE - RESOURCES

26 **Internal Audit Work 2nd half year 2009/10**

The Head of Audit advised 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.

In response to a Member's question, the Head of Audit stated reports of the sub-letting of Council Houses were followed up by Housing Staff.

The Scrutiny Committee - Resources noted the Internal Audit Report for the 2nd half - year of 2009/10.

(Report circulated)

27 **Internal Audit Plan 2010/11**

The Head of Audit presented the report seeking approval for the 2010/11 Internal Audit Plan. The Plan was based on the Risk Based Analysis methodology. The Council's 'Enhanced Systems Based Auditing' (ESBA) ensured that risks, such as reputation were considered as well as financial risks.

In response to a Member's question, the Head of Audit stated that the database for contracts was monitored regularly to ensure that all contractors met the Council's standards including the Green Accord. Recently a contractor had been removed from the database as their standard of work had been deemed inadequate.

The Scrutiny Committee - Resources approved the 2010/11 Internal Audit Plan.

(Report circulated)

28 **Energy Management**

The Director Community and Environment presented the report to inform Members of the measures currently in place to manage energy use within civic buildings. The Council managed its energy use via a proprietary Building Management System (BMS). The BMS was controlled from a computer terminal in Contracts and Direct Services by the electrical and mechanical engineers. They performed ongoing daily monitoring of the operation of plant installations and systems. The BMS system flagged problems automatically and was used by the engineers to respond to complaints raised by facility managers or other staff.

Members were informed that, as part of the Carbon Management Programme, consideration was being given to retro fitting photovoltaic cells to a number of civic buildings. This would not only save on energy use but would also enable the Council to make use of the recently introduced fuel buy back scheme and feed energy into the grid when it was not needed in Council buildings.

Members were pleased that this report had been placed on the agenda as a result of a question asked at the Community Forum and were keen that feedback be given to the questioner. They welcomed the measures the Council were taking towards sustainable energy.

The Scrutiny Committee - Resources noted and welcomed the report.

(Report circulated)

29 **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 Paragraph 1,3 and 4 of Part I, Schedule 12A of the Act.

MATTERS FOR CONSIDERATION BY THE EXECUTIVE

30 **BEST - proposed work and impact on staff**

The Director Community and Environment presented a proposal for the retention of a core building and electrical support service to the Council.

Members were updated on the background regarding the procurement strategy for the housing maintenance contract, the analysis of the position post letting of the housing contract, the financial implications of the proposals, and the work that would need to be undertaken to address the full implications of the proposals.

In response to a Member, the Director Community and Environment confirmed that the staff had been fully consulted and that the position would be reviewed in light of the recent LGR decision, although it was not anticipated that any changes would need to be made.

The Head of Treasury Services confirmed that further work would be undertaken with regards to the effect that the removal of the trading account would have on support services.

The Scrutiny Committee – Resources noted the proposals contained in the report and recommended that Executive approve them and that the implications arising from this decision are investigated and reported back to Members in accordance with the reporting schedule in Appendix 4.

(Report circulated to Members)

31 **Update on the RAMM Development Project**

The Head of Leisure and Museums presented the report updating Members on the current situation in respect of the RAMM Development Project.

Members were updated on the on-site progress including the Mechanical Review, the fit-out and displays, contractual and financial implications and the Section 151 officer statement.

Members discussed the project finances, RAMM's involvement with Exeter's schools and the anticipated opening date for RAMM.

The Head of Leisure and Museums stated that it was anticipated that RAMM would open in July 2011, but a definite date could not be given at this stage of the project.

Members were advised that further reports would be brought to Scrutiny Committee – Resources and Executive to update Members of the on going position with the RAMM project.

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

- (1) the Head of Leisure and Museums, in consultation with the Leader and Portfolio Holder Environment and Leisure, the Director of Community and Environment and the Head of Legal Services, to incur the necessary expenditure an estimate of which has been set out in paragraph 4.4 of the circulated report, subject to written assessments of the financial risks and benefits at not more than two monthly intervals; and
- (2) that the recommended budget adjustment be made.

(Report circulated to members)

The meeting commenced at 6.00 pm and closed at 7.55 pm

Chair

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Minute Item 15

Exeter City Council, Scrutiny Committee (Resources) Committee, 24 March 2010

Question from Member of the Public (HB Wilkins 12 Well Oak Park, Exeter, EX2 5BB)

Accuracy of Minutes of Meeting of 27 January 2010

The draft minutes do not record a number of comments made by members. In particular the following contributions have not been recorded:

re Revenue Budget Proposals 2010/11

- A Member (DM) stated that he always feels uncomfortable when asked to consider a proposal if there are no options presented for consideration. With reference to the capital programme he emphasized the need for ensuring value for money (VFM).
- With reference to the then proposals to close public conveniences, a member (JS) commented that it is deeply regrettable that alternatives to closing the public conveniences had not been identified.
- The Chair (JC) noted that the Council needs to make cuts in public expenditure and the need to face up to financial austerity. He said that the Council will have to find savings.

re General Fund Capital Programme 2010/11 to 2012/13

- A Member (PP), referring to the proposal to allocate £80,000 for the controversial plan for a footpath through Well Oak Park, said that although he had been to Planning Committee meetings at which the footpath had been discussed he had no recollection of this sum having been mentioned previously. He asked whether this figure was an exact figure or an estimate. He said there had been changes of route for the proposed footpath, that the police are not going to fund CCTV and that he did not know how much the section 106 agreement would be contributing. He said that £80,000 is an awful lot of money and that if members of the planning committee had known this it might have had a bearing on the planning decisions. He asked for clarification, further details and justification for the capital expenditure for both this proposal and the proposal to refurbish the King William Street car park.
- There was a move to accept the capital programme proposals but a Member (DM) intervened to say that Cllr Prowse had raised questions about the budget and queried whether the scrutiny committee could approve the budget whilst these questions remained unanswered. It was agreed that the Committee note the Capital Programme proposal but with a caveat that questions had been raised without being responded to. An officer said that he would circulate the requested information.

I feel these are noteworthy comments which have a more general application to governance and policy and should be recorded if the minutes are to be an accurate record of what was said.

Question:

Can the minutes be amended to include the above contributions from DM, JS, JC and PP?

Footnote

The Revenue budget proposals are shown as Item 5 in the draft minutes and Item 8 in Agenda papers prepared prior to the 27.1.10 meeting. The Capital Programme proposals are shown as item 6 in the draft minutes and item 9 in Agenda papers prepared prior to 27.1.10 meeting.

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Question from Mr H. B. Wilkins

Reply from the Chair:-

The minutes of meetings are not intended to be a verbatim record of the discussion. They provide an accurate record of the decision reached by committees. A brief summary of the key points made by members is included to provide a context for the decision. It is a matter of judgement which points are regarded as “key” but a balance needs to be struck in order to keep administrative costs within reasonable levels (sometimes members debate matters at great length). Committee members reach their decisions having heard all the interventions from councillors during the preceding debate.

In one respect, however, the minutes of the meeting of 27th January are not complete and need to be altered. The committee agreed to note the capital programme proposal but requested further information on some unanswered questions and it was agreed that all members of the committee would be circulated. This agreement to circulate should have been noted in the minutes and they will be amended to include it.

I can confirm that the information was circulated to all committee members the day after the meeting. Since the matter under discussion was the Council's budget, members had an opportunity to raise the matter again either at the Executive or at full Council.

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**Exeter City Council
Scrutiny Committee - Resources
24 March 2010 6pm**

Question from WM Sharpe, 8 Well Oak Park, Exeter, EX2 5BB

Issue:

**Accuracy of Costings of Proposed Well Oak Park Footpath and
Consideration of Alternative Options**

Councillor Prowse raised specific concerns at the meeting on 27 January as to the accuracy of the costings of the proposed footpath through Well Oak Park and asked whether the £80,000 figure budgeted was an exact figure or an estimate. Some members of the public are concerned as to whether due diligence has been done and question whether the true capital and revenue consequences of the proposed footpath have been properly costed. There is concern that decisions appear to have been made in the absence of full disclosure of facts which could be reasonably expected to have been researched in advance and made available to decision makers.

With this in mind and further to Member (PP's) comments above, local residents and Councillors have identified what appears to be a more cost effective, logical and deliverable route for the footpath that offers much greater public benefit than the current proposal. Despite investigations, there appears to be no clear reason why this potentially more attractive option has not been pursued. Given this, it is suggested that the concerns expressed at the meeting of 27 Jan 10 should be formally recorded and follow up action taken before any further decisions about the footpath are made.

Question:

Has the proposed footpath through Well Oak Park been properly and fully costed (capital and revenue) compared against other possible options and if so are the details and reasons for the selection of this option recorded and accessible to Councillors and members of the public?

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Question from Mr W. M. Sharpe

Reply from the Chair:-

It is not the role of the Scrutiny Committee Resources to review or revise decisions taken by the Planning Committee. That committee discussed at considerable length the relative merits of alternative options before reaching their decision. Planning Committee was provided with estimates of the costs of the proposed scheme both for the CCTV and for the footpath and landscaping elements by the respective officers expert in these fields. The reasoning behind the Planning Committee decision is recorded in the minutes of that committee and can be consulted via the City Council's website.

The role of the Scrutiny Committee Resources as it relates to this question is to ensure there is sufficient overall budget provision for the decision made by the Planning Committee. I can confirm that this is what occurred.

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Question from Councillor Martin:-

What is the Leader's reaction to the figure of £400,000 per annum that it is costing to service the City Council debt for RAMM?

Reply from the Leader of the Council:-

Based upon the latest cost estimates for completion of the RAMM project the overall amount that will have to be funded by ECC will be in the region of £10 million. This will have to be funded by the use of prudential borrowing over a 25 year period as was originally intended by the previous Labour administration when they embarked on this ambitious project. The revenue cost will therefore be £400,000 per annum for the next 25 years to reflect repayment of the borrowing plus interest. The current interest rates in respect of borrowing are about 0.5% so the interest element of the borrowing is £50,000 per annum. These extra revenue costs have been reflected within the Council's medium term financial plan.

Supplementary question from Councillor Martin:-

Has the Leader seen the projected budget for the first year of the re-opened RAMM?

Reply from the Leader of the Council:-

A detailed operating budget for the RAMM is not yet available. This will be established when we know with some real certainty when the project will be complete

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