

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 **AUDIT FEE LETTER 2010-11**

The Council's External Auditor, Grant Thornton, will present the letter to Members – *letter circulated (scale of fees available on the Internet)* 1 - 6

7 **GRANTS REPORT 2008-09**

The Council's External Auditor, Grant Thornton, will present the report to Members – *report circulated* 7 - 16

Members of the Final Accounts Committee are invited to attend for this item and can ask questions of the Auditors if they wish to do so.

***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.**

PERFORMANCE MANAGEMENT

8 **AIM PROPERTY MAINTENANCE PROGRESS 2009/10***

To consider the report of the Head of Contracts and Direct Services – *report circulated (Monitoring Schedule available on the Internet)* 17 - 20

9 **RESOURCES SCRUTINY STEWARDSHIP TO 31 DECEMBER 2009***

To consider the report of the Head of Treasury Service – *report circulated* 21 - 26

MATTERS FOR CONSIDERATION BY THE EXECUTIVE

- 10 **OVERVIEW OF REVENUE BUDGET 2010/11**
- To consider the report of the Head of Treasury Services – *report circulated* 27 - 34
- 11 **CAPITAL MONITORING STATEMENT**
- To consider the report of the Head of Treasury Services – *report circulated* 35 - 46
- 12 **ICELANDIC BANKS - FINANCIAL UPDATE**
- To consider the report of the Head of Treasury Services – *report circulated* 47 - 54
- 13 **CORPORATE GOVERNANCE RISK REGISTER - ANNUAL REVIEW**
- To consider the report of the Head of Audit – *report circulated* 55 - 58
- 14 **ANNUAL SUSTAINABLE PROCUREMENT AND COMMISSIONING REPORT**
2010/11
- To consider the report of the Head of Contracts and Direct Services – *report circulated* 59 - 66

MATTERS FOR CONSIDERATION BY SCRUTINY COMMITTEE - RESOURCES

- 15 **INTERNAL AUDIT WORK 2ND HALF YEAR 2009/10**
- To consider the report of the Head of Audit – *report circulated* 67 - 72
- 16 **INTERNAL AUDIT PLAN 2010/11**
- To consider the report of the Head of Audit – *report circulated* 73 - 76
- 17 **ENERGY MANAGEMENT**
- To consider the report of the Head of Contracts and Direct Services – *report circulated* 77 - 82

PART II: ITEMS SUGGESTED FOR DISCUSSION WITH THE PRESS AND PUBLIC EXCLUDED

MATTER FOR CONSIDERATION BY THE EXECUTIVE

18 **BEST - PROPOSED WORK AND IMPACT ON STAFF**

To consider the report of the Head of Contracts and Direct Services – *report circulated to members* 83 - 94

19 **UPDATE ON THE RAMM DEVELOPMENT PROJECT**

To consider the report of the Head of Leisure and Museums – *report circulated to members* 95 - 98

DATE OF NEXT MEETING

The next **Scrutiny Committee - Resources** will be held on Wednesday 16 June 2010 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, Choules, R M Hannaford, Hobden, Martin, Noble, Prowse, Shepherd, Thompson and Wardle

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24th February 2010

Dear Philip

ANNUAL AUDIT FEE 2010-11

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2010-11 financial year at Exeter City Council. The proposed fee includes the audit elements of work carried out by us as your appointed auditors. This 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 2010-11.

This letter also includes fees relating to the managing performance theme that informs the Comprehensive Area Assessment (CAA). This element of the work will undertaken and charged separately through your CAA Lead at the Audit Commission.

As we have not yet completed our audit for 2009-10, the audit planning process for 2010-11, including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary.

The Audit Commission has published its work programme and scales of fees for 2010-11. It has defined the scale audit fee as the fee required by auditors to carry out the work necessary to meet their statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice. It represents the Audit Commission's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and, it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.

The Audit Commission expectation is that the fee payable is the scale fee. 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 because of specific local factors or risks.

The scale fee for Exeter City Council for 2010-11 is £133,830 (2009-10 £123,844) exclusive of VAT. The audit fee proposed for 2010-11 is in line with the above scale fee and compares to the planned fee of £117,652 for 2009-10.

The CAA Lead has informed us that inspection fees will be as follows:

- managing performance element of the organisational assessment is £14,405 less CLG funded grant resulting in a fee of £8,320; and
- the CAA Lead is proposing a risk based CAA inspection of strategic housing services in Devon in the year. The cost of this would be chargeable to the Devon Strategic Partnership and is likely to be in the region of £65,000.

A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2010-11	Planned fee 2009-10
Financial statements	85,075	69,500
Use of Resources/VFM Conclusion	48,755	48,152
Total audit fee	133,830	117,652
Managing performance fee (charged separately by CAAL)	8,320	8,320
Certification of claims and returns (estimate)	20,000	20,000

In setting the fee at this level, we 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 2009-10. A separate plan for the audit of the financial statements will be issued in late 2010, once the outcomes of the 2009-10 audit are known. This will detail the risks identified, planned audit procedures and any changes in fee.

From 2010-11, the Council will be required to prepare its accounts in accordance with International Financial Reporting Standards (IFRS). The transition to IFRS will increase our work, particularly in the first year when the Council needs to restate its previous year's accounts on the new basis, to provide prior year comparatives. The scale fee has been increased by 6% nationally to reflect the costs of this additional work. The Audit Commission has already confirmed its intention to offset this increase by a subsidy to cover the one-off element of the cost of the transition to IFRS. The Audit Commission will be writing to you separately to confirm the arrangements for payment of this subsidy.

The quoted fee for grant certification work is an estimate and will be charged at prescribed rates set out in the Audit Commission's published work programme and scales fees guidance for 2010-11. If we need to make any significant amendments to the audit fee during the course of the audit, we 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.

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

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

The Audit Commission is committed to carrying out a fundamental review of their approach to value for money work, including the use of resources, with a view to making changes with effect from 2010-11. Pending the results of this review, further details of the specified key lines of enquiry and the timetable for the 2010-11 assessments will be published as part of the use of resources guidance, on the Audit Commission's website. We discuss any proposed changes to this approach with the Council, once these are known.

Our work on use of resources informs our 2010-11 value for money conclusion. However, we have identified a number of potential issues and risks in relation to our value for money conclusion. For each of these audit risks, we consider the arrangements put in place by the Council to manage this and, plan our work accordingly. Our initial assessment for our value for money audit work is shown in the table below:

Issue	Planned response
<p>The Government has announced that it will move ahead with legislation to create an Exeter unitary authority based on the existing city boundary. Devon County Council has pledged to contest this decision. The Council will need to work during a period of further uncertainty and within a challenging timetable to prepare for unitary status by 1 April 2011. Both the uncertainty and timetable present a number of risks to the Council that will need to be carefully managed..</p>	<p>We will continue to review the progress in delivering to this timetable and discuss specific audit work with the Council where required.</p>
<p>In the current economic climate, the Council continues to face a challenging revenue budget. Government funding is reducing, income streams are significantly reduced and demand for services remains high. During the budget setting process the Council identified further cost pressures for 2010-11 as well as £1 million of revenue savings which need to be delivered to balance the budget. Monitoring of priorities and use of the budget to deliver services to the local population, will require close focus throughout the year and, where necessary, changes in resource allocations may be required.</p> <p>In addition, the Government has issued a consultation paper which sets out their proposals for the funding of concessionary travel in 2010-11. If the proposals are endorsed this will provide the Council with an additional £1.65 million of special grant. If this further grant is not forthcoming, then further savings will need to be identified.</p>	<p>We will review the Council's budget setting process for 2010-11 and, budget monitoring and prioritisation during the year, considering how effectively the budget is managed to maintain delivery of priorities where there are competing demands.</p>
<p>The Council was affected by the collapse of the Icelandic Banks. It held a £2 million deposit with Glitnir Bank which was due to mature in December 2008 and £3 million with Landebanki which was due to mature in November 2008. On 10 December 2009 the Winding-Up Board of Glitnir reversed their previous decision to grant preferential creditor status to UK local authorities. The Council was not successful in an application to Government for a capitalisation directive to support the losses it is now exposed to as a result of this decision. This has put additional pressures on the Council's medium term financial plans.</p>	<p>We will, as part of our Use of Resources assessment under the 'Managing Finances' theme assess the impact of the decisions made in relation to the Icelandic bank investments on the Council's financial standing and how the revised value of these investments should be reflected in the Council's accounts.</p>

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

The proposed 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 key numbers of the audit team for 2010-11 are unchanged from the previous year and, their contact details are:

Barrie Morris - Engagement Lead 0117 305 7708

Julie Masci - Audit Manager 0117 305 7696

We are 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, Sarah Howard at sarah.howard@gtuk.com.

Yours sincerely

BARRIE MORRIS

Director and Engagement Lead

For Grant Thornton UK LLP

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
Annual Fee Letter	March 2010
Financial Statements Plan	November 2010
Interim Audit Report	April 2011
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Use of resources report	September 2011
Annual audit letter	November 2011
Grants certification report	December 2011

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Exeter City Council

Grants Report 2008-09

January 2010

Contents		Page
1	Executive summary	1
2	Detailed findings	3

Appendices

- A Approach and context to certification**
- B Details of claims and returns certified in 2008-09**
- C Action plan**

1 Executive summary

Introduction

- 1.1 The Council received six grant claims and returns from government departments and other bodies requiring external certification in 2008-09, representing income in excess of £99 million.
- 1.2 Grant Thornton, as the Council's external auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.3 This report summarises our overall assessment of the Council's management arrangements, supported by some key performance measures, in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 A summary of all claims and returns subject to certification is provided at Appendix B, together with the certification fee and outcome of our review.
- 1.7 The key messages from our review are summarised in Exhibit One below, and set out in detail in the next section of the report.

Exhibit One: Key Messages

Aspect of certification arrangements	Action
The Council has continued to improve the accuracy of claims and returns presented for certification, resulting in a reduction in the number of claims requiring amendment.	Ensure that all claims and supporting working papers are subject to review by another officer to further improve their accuracy.

Arrangements for certification:

- amounts claimed below £100,000 - no certification
- amounts claimed between £100,000 - £500,000 - agreement to underlying records
- amounts claimed over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Aspect of certification arrangements	Action
One claim was submitted for certification by the Council one week after the required deadline. A second claim was completed and issued to the Government department by the deadline, however, a signed copy was not provided to ourselves for certification until after the deadline.	Submission deadlines should be monitored and signed originals of claims should be sent to the relevant government department and ourselves in line with the prescribed timescales.
Work is currently underway to consolidate housing stock information onto the Academy system. Should this not be completed in advance of the 2011-12 return (due to be certified in September 2010) then a reconciliation between the two current systems should be prepared.	Reconciliation to be prepared if required.

The way forward

- 1.8 We have made a number of recommendations to address the key messages above and other findings arising from our certification work at Appendix C.
- 1.9 Implementation of the agreed recommendations will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional certification fees.
- 1.10 The new 'Use of Resources' assessment in 2009 required auditors to consider the results of certification work when undertaking the Use of Resources assessment, including, in particular, the impact of housing benefit and council tax testing on data quality. The 2010 assessment will be further integrated with grant certification work, including consideration of the outcome of a wider range of grant claims.

Acknowledgements

- 1.11 We would like to take this opportunity to thank officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

January 2010

2 Detailed findings

Introduction

- 2.1 This section of the report summarises the main issues arising from the certification of grants and returns in 2008-09. Further details of the individual grants that have been certified are provided at Appendix B and the Action Plan at Appendix C sets out our recommendations and improvement opportunities arising from the certification of individual grants.

Performance against targets

- 2.2 Exhibit Two summarises the Council's performance against key certification performance targets for the six claims and returns submitted for certification in both 2007-08 and 2008-09:

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2008-09		Achievement in 2007-08		Direction of travel
		No.	%	No.	%	
Number of claims submitted on time	100%	4	67%	6	100%	↓
Number of claims certified on time *	100%	6	100%	6	100%	-
Number of claims amended by the auditor	0%	2	33%	3	50%	↑
Number of claims qualified by the auditor	0%	0	0%	0	0%	-

* the certification deadline is that prescribed by the grant paying body as advised by the Audit Commission, or if a claim is received after the submission deadline, within three months of receipt.

- 2.3 This analysis of performance against targets shows that:
- the Council has continued to improve the accuracy of the claims and returns that it prepares, resulting in a reduction in the number of claims requiring amendment in 2008-09; and
 - two claims were provided for certification after the deadline set by the relevant department. One of these claims was prepared and issued to the Government department by the deadline, but a signed copy was not provided to us, for certification, until after the deadline.

- 2.4 We charged a total fee of £24,178 for the certification of claims and returns in 2008-09 compared to a fee of £22,181 in 2007-08. This relates to an increase in fees charged for our certification of the housing and council tax benefits return which in 2007-08, were partly subsidised through our main audit fee in relation to our data quality work. Details of fees charged for specific claims are included within Appendix B.

Management arrangements

- 2.5 Good arrangements are required for successful management of the certification of grant claims and returns. The results of our review of aspects of the management arrangements in place are set out below. The associated recommendation for improvement is included at Appendix C.

Independent review

- 2.6 At present, not all claims and returns submitted for certification, and the working papers that support them, are evidenced as subject to review by another officer. By ensuring that claims are reviewed by another member of staff, the Council can continue its progress in improving the accuracy of the entries made and reducing the number of claims requiring amendment as a result of our certification work.

Significant findings in relation to individual claims and returns

- 2.7 A summary of all claims and returns we have certified is attached at Appendix B, together with the certification fee and outcome of our review.
- 2.8 Of the claims and returns submitted for certification our only significant finding was in relation to the Housing Revenue Account Subsidy Base Data return. We have identified three recommendations for improvement is included in Appendix C to improve both overall and specific arrangements.
- 2.9 Following the amendments made to this claim in 2007-08, the Council is continuing to make progress in improving the accuracy of the information held on the construction of its housing stock.
- 2.10 We are aware of the work being done to consolidate the data currently held on two separate systems onto its Academy system and encourage the Council to ensure this is completed for the 2011-12 return (due to be certified in September 2010), or to ensure that a full reconciliation is available between the two current systems.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £100,000 - no certification required;
- for amounts claimed above £100,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council; and
- for amounts claimed over £500,000 - certifying that the claim agrees to underlying records of the Council and an assessment of the control environment. Where reliance is not placed on the control environment, detailed testing is performed.

Roles and responsibilities

The following table sets out the roles and responsibilities of the parties involved in the certification of claims and returns.

Party	Role and responsibility
Grant paying body	Sets grant conditions and the deadlines for submission of the pre-certificated and certified claim
Audit Commission	Issues certification instructions
Council	Submits claims and returns to the Appointed Auditor within grant paying body submission deadlines. Ensures adequate documentation is maintained to support compilation of claims and returns.
Appointed Auditor	Certifies claims in accordance with Audit Commission instructions and within certification deadlines.

Scope

We assess the Council's arrangements for submission of grant claims for certification. We do not review the Council's wider arrangements for managing external funding or maximising its entitlement to external funding.

B Details of claims and returns certified in 2008-09

Ref	Claim	Claim value (£)	Amended? Y/N	Amendment value (£)	Qualified?	2007-08 Actual fee (£)	2008-09 Actual fee (£)
BEN01	Housing and Council Tax Benefits Scheme	34,401,669	N	N/A	N	10,105	13,060
CFB06	Pooling of Housing Capital Receipts	400,869	N	N/A	N	1,355	1,163
HOU01	Housing Revenue Account Subsidy	4,415,766	Y	N/A *	N	2,678	2,030
HOU02	Housing Revenue Account Subsidy Base Data Return	Non-Financial	Y	N/A *	N	3,805	3,595
HOU21	Disabled Facilities	331,000	N	N/A	N	510	565
LA01	National Non-Domestic Rates Return	59,531,326	N	N/A	N	3,728	3,765
TOTAL		99,080,630				22,181	24,178

* Note that the amendments to both the HOU01 and HOU02 claims changed only the number of dwellings, therefore were non-financial adjustments.

C Action plan

Ref	Claim	Recommendation	Priority	Management response and implementation details
	All	The Council should monitor submission deadlines and ensure that original signed claims are received by Grant Thornton by the required deadline	Medium	Agreed. The Finance Manager will maintain a grant timetable showing submission dates etc.
	All	The Council should ensure that when claims and their associated working papers are reviewed by another officer in advance of submission, that this is properly evidenced by signature as appropriate.	Medium	Agreed. All grant claims including relevant working papers will be reviewed and properly evidenced by signature before submission.
HOU02	Housing Revenue Account Subsidy Base Data Return	The Council should aim to complete the consolidation of data on its housing stock on its Academy system in advance of the 2011-12 return, or if this is not achievable, ensure that a full reconciliation is available between the two current systems.	Low	Completed – Housing Department has confirmed that this data is now available on the Academy system.



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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 24 MARCH 2010

AIM PROPERTY MAINTENANCE PROGRESS REPORT 2009/10

1 PURPOSE OF THE REPORT

- 1.1 This is the third quarterly report, covering the period from October to December 2009. (but including updated figures at 12 February 2010). The report details the financial position of the £7.4m 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 2009/10. In some cases this programme further includes budgets for schemes rolled forward from 2008/09. Where necessary this report will provide specific details on significant programme variations.

2 BACKGROUND

- 2.1 The Council approved the following:

	£	
Housing budgets		
(a) Housing Reactive Repairs	4,335,960	
(b) Housing Servicing Contracts	700,650	
(c) Housing Maintenance Works	<u>478,500</u>	£ 5,515,110
Non-housing budgets		
(d) Service Recharges	270,030	
(e) Lease Requirements	98,840	
(f) AIM Priority Programme	561,080	
(g) AIM Reactive Repairs - General	513,710	
(h) AIM Service Contracts	337,390	
(i) AIM Operational Essentials	<u>78,260</u>	£ 1,859,310
Total		<u>£ 7,374,420</u>

- 2.2 The current level of spending against the specifically monitored budgets in 2009/10 above presently indicates overspend of some £97,000 overall (1.3%), which has been effectively sustained in non-housing programmes.

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

HOUSING

2.3 Housing Reactive Repairs Generally – overall budget £4,335,960

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. Whilst some of these separate parts indicate individual overspend, based on the present rate of spending due to a general increase in the cost of repairs and an increased amount of reactive repair orders issued, nevertheless such overspend will effectively be negated by use of contingency funds allocated for Housing Services.

2.4 Gas and Central Heating Servicing – budget £530,450

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. Whilst the present rate of spending suggests that overspend in the order of £90,000 is likely, such overspend is compensated and effectively negated by savings on other servicing and maintenance contracts and by the use of contingency sums.

NON-HOUSING

2.5 City Wall Repairs – budget £33,770

This budget was rolled forward from 2008/09 for remaining monies to be paid for necessary repairs to the City Wall at various locations. In the event, the extent of repairs proved more than was envisaged when the original budget was set. Consequently overspend in the order of £15,000 has been incurred.

2.6 Canal Bank Underpinning at Welcome Inn – budget £4,950

This budget was rolled forward from 2008/09 for remaining monies to be paid for this already mostly completed work. Before final completion some additional works were found to be required to the top of the canal bank to prevent vehicles falling into the canal. In the event when final costs were agreed they exceeded the provision made, so overspend of some £7,000 has occurred.

2.7 Non-Housing Reactive Repairs Generally – overall budget £513,710

This budget is split into twelve separate parts in order to better monitor work and allocate costs across services. 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. Further, as budget provisions for planned property improvements were deliberately and strictly limited in 2009/10 this action has put more pressure on set reactive budgets to deal with problems arising through the year that demanded urgent repairs be carried out. So presently five of these part budgets indicate overspend this year, with the largest overspend arising from the cost of parks and leisure repairs. Whilst instructions have been given such that future reactive repair work is to be strictly prioritised in the remaining part of the year, nevertheless, at the present spending rate overspend of some £124,000 is potentially to be sustained this financial year.

2.8 Operational Essentials Generally – overall budget £78,260

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 is overspent by some £5,000.

3 RECOMMENDED

- (1) that the third quarter financial position of the £7.4m programme of reactive and planned property maintenance and refurbishment for 2009/10, as detailed above be noted.

HEAD OF CONTRACTS AND DIRECT SERVICES
HEAD OF HOUSING
HEAD OF ESTATES
HEAD OF TREASURY 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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EXETER CITY COUNCIL
SCRUTINY COMMITTEE - RESOURCES
24 MARCH 2010

RESOURCES SCRUTINY STEWARDSHIP TO 31 DECEMBER 2009

1. PURPOSE OF REPORT

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

2. STEWARDSHIP TO 31 DECEMBER 2009

2.1 The current forecast suggests that net expenditure for this committee will decrease from the revised budget by a total of £713,580, with the largest part of this underspend, estimated to be £750,000, unlikely to be spent this financial year on the Local Government Review. Supplementary budgets of £92,170 are included but the Notional charges budgets in respect of FRS17 Pension Costs and Capital charges have been deducted to provide the total budget for management accounting purposes.

2.2 The main variations by management unit are detailed below:

	£
2009-2010 REVISED BUDGET	16,366,990
86A1 REVENUE COLLECTION / BENEFITS	(172,290)
<p>It is estimated at the end of the third quarter that there will be a net increase in Housing Benefits subsidy. The total is £172,290 which is 0.47% of the total Housing Benefits Subsidy (£36,698,150).</p>	
86A3 CORPORATE	257,890
<p>A revised scale of fees for external audit work to be carried out during the year will result in an increase in costs. There has been an increase in volume and cost of the central bank charges. After the detailed budgets were set for the General Fund Services for 2009/10 a decision was made to reduce the budget for the 2009/10 pay award from 2.5% to 1.5%. This decision was too late to be included in service costs so the reduction was shown in this management unit. The pay award was agreed at 1.0% for most employees and 0% for senior staff, with the savings now being shown in all cost centres across the Council rather than this management unit.</p>	
86A4 CIVIC CEREMONIALS	(28,450)
<p>A revised increase in rent has been agreed for commercial premises within this budget head.</p>	
86A5 DEMOCRATIC REPRESENTATION	(768,910)
<p>It is expected that there will be an underspend on Members' Expenses by the end of the financial year. The budget provision that was made to finance the cost of Local Government Review is expected to be underspent</p>	

because of the delay in announcing the final conclusion.

86A6 GRANTS/CENTRAL SUPPORT/CONSULTATION	(4,160)
There is expected to be an underspend in Community Consultations that will be partly offset by an increase in rent grants awarded by Grants Committee.	
86A7 UNAPPORTIONABLE OVERHEADS	66,670
There is an increase due in payments to the pension fund administered by Devon County Council to meet the approved cost of early retirements and redundancies.	
86A8 CHIEF EXECUTIVE SERVICES	(41,120)
Savings have accrued from vacancies and maternity leave.	
86B1 TREASURY SERVICES	(98,760)
Vacancies across the directorate will result in an overall saving in employee's costs, although a review of duties and posts within the administration team and secretarial support to the Director has resulted in increased costs to this budget head, but these will be offset in the long-term by savings in management unit 86B7.	
There have been some increases in the cost of maintaining software, but these have been offset by increased grant income, in particular in recognition of the increase in Housing Benefits caseload.	
86B3 HUMAN RESOURCES	40,270
Additional work has been undertaken within Human Resources in respect of LGR, training courses and to cover maternity leave.	
86B4 LEGAL SERVICES	(13,590)
There have been some minor pay savings within the service.	
86B5 CORPORATE CUSTOMER SERVICES	38,020
A review of duties and posts within the Civic Centre and Mail services has resulted in redundancy costs being incurred. There was an increase at the beginning of the year in the cost of postage with usage also increasing during the year. In an attempt to reduce postage costs there was an unsuccessful trial with TNT but savings are being made by preparing the post to a new standard (Cleanmail). There have been savings made in the cost of utilities at the Civic Centre.	
86B6 IT SERVICES	(9,380)
There have been some minor pay savings within the service.	
86B7 DIRECTOR CORPORATE SERVICES	20,230
Redundancy costs have been incurred following a review of secretarial support to the Director.	

2009-2010 EXPECTED FINAL OUTTURN

£15,653,410

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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**SCRUTINY COMMITTEE - RESOURCES
STEWARDSHIP**

APRIL 2009 TO DECEMBER 2009

ANNUAL BUDGET	SUPPLEMENTARY BUDGET	NOTIONAL CHARGES***	REVISED BUDGET	CODE		CURRENT OUTTURN FORECAST	FORECAST VARIANCE
£	£		£			£	£
1,628,580			1,628,580	86A1	REVENUE COLLECTION / BENEFITS	1,456,290	(172,290)
244,660		(2,030)	246,690	86A2	ELECTIONS & ELECTORAL REGISTRATION	246,690	0
669,260			669,260	86A3	CORPORATE	927,150	257,890
265,510	25,560	31,160	259,910	86A4	CIVIC CEREMONIALS	231,460	(28,450)
1,899,730			1,899,730	86A5	DEMOCRATIC REPRESENTATION	1,130,820	(768,910)
1,019,300	27,780		1,047,080	86A6	GRANTS/CENTRAL SUPPORT/CONSULTATION	1,042,920	(4,160)
86,310			86,310	86A7	UNAPPORTIONABLE OVERHEADS	152,980	66,670
1,218,870	22,000	(32,470)	1,273,340	86A8	CHIEF EXECUTIVE SERVICES	1,232,220	(41,120)
0		(4,070)	4,070	86A9	STRATEGIC/COMMUNITY PARTNERSHIPS	4,070	0
3,206,140	5,000	4,430	3,206,710	86B1	TREASURY SERVICES	3,107,950	(98,760)
218,870		(11,570)	230,440	86B2	INTERNAL AUDIT	230,440	0
707,960		(4,360)	712,320	86B3	HUMAN RESOURCES	752,590	40,270
614,780		(29,240)	644,020	86B4	LEGAL SERVICES	630,430	(13,590)
2,839,350	7,080	216,850	2,629,580	86B5	CORPORATE CUSTOMER SERVICES	2,667,600	38,020
1,975,850	4,750	309,440	1,671,160	86B6	IT SERVICES	1,661,780	(9,380)
150,040		(7,750)	157,790	86B7	DIRECTOR CORPORATE SERVICES	178,020	20,230
16,745,210	92,170	470,390	16,366,990		NET EXPENDITURE BEFORE INTERNAL RECHARGES	15,653,410	(713,580)
(10,931,860)			(10,931,860)		LESS INTERNAL RECHARGES	(10,931,860)	0
£ 5,813,350	£ 92,170	£ 470,390	£ 5,435,130		NET EXPENDITURE	4,721,550	(713,580)

*** Includes:
Capital Charges
FRS17 Pension Costs

Transfers to/from Earmarked Reserves

OVERALL FORECAST EXPENDITURE FOR THE YEAR AFTER MOVEMENTS TO/FROM RESERVES 4,721,550

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 24 MARCH 2010

EXECUTIVE
13 APRIL 2010

THIRD QUARTER OVERVIEW OF GENERAL FUND REVENUE BUDGET 2009/10

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 2009/2010 financial year.

2. REVENUE POSITION – EXECUTIVE SUMMARY

FUND	Latest Approved Budget	Stewardship Variance December 2009	Outturn Forecast 2009/10
	£	£	£
General Fund	19,912,850	(1,045,140)	18,867,710
HRA*	(682,100)	(44,065)	(726,165)
* Net deficit			

GENERAL FUND – Appendix A

- 2.1 The Service Committee budgets shows a forecast under spend of £512,550 (2.6%) 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.
- 2.2 The pay settlement for 2009/10 has been agreed at 1%. The budgets for 2009/10 included a provision of 1.5% for the pay award and there is therefore a saving on pay budgets. This saving has been reflected within the individual Scrutiny Committees.
- 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 £103,490)**

In Museums Services, there is additional expenditure in respect of business rates and utility costs for the library facilities. Premises maintenance costs are also expected to exceed the budget for the Royal Albert Memorial Museum. This has been partly offset by savings from vacant posts. The net overspend is estimated at £6,820.

Environmental Protection Services have an increase in cost in respect of the service for the Home Call Alarm equipment and a reduction in grant income from the Department of Health. Additionally, a one-off adjustment has been made to properly reflect income in the correct year it relates to. The current overspend is anticipated to be £70,380.

There is estimated additional expenditure in respect of the use of Private Sector Leasing, bed and breakfast accommodation and Serviced Temporary accommodation. This is due mainly to an increase in PSL void properties prior to hand back and an increase in the cost of bed and breakfast over the first quarter together with an increase in the number of rooms available under Serviced Accommodation. The forecast overspend is £262,340.

These overspends have been partly offset by additional income from Licensing activities (£49,550) and net income from trade recycling and garden waste (£53,580); savings from a vacant post and a reduction in agency staff in Grounds Maintenance (£40,920) and some savings in other minor costs.

2.3.2 Scrutiny Committee Economy – (An over spend of £97,540)

There is a reduction in Car Park income and Building Control fees due to the general downturn in the economy resulting in a predicted shortfall of £245,260.

Additional expenditure has been incurred in Economic Development on a variety of projects, as agreed by the Executive, in response to the recession. These projects will be funded from the earmarked reserve set up at the end of 2008-09. The overspend totals £80,600.

The overall income levels for the Archaeological Field Unit are projected to be down for the year. This is due to the increasingly competitive nature of the service market. Costs in respect of redundancy have also been incurred. The total overspend is forecast to be £281,180.

Planning fees are also expected to be lower than budgeted due to the general downturn in the economy, however these have been more than offset by staffing savings resulting in an anticipated underspend of £377,180.

Additional income from the Markets and Halls (£86,360), and additional rental income from Commercial properties (£91,390) mainly as a result of lease renewals have also offset the additional costs within the rest of the Committee.

2.3.3 Scrutiny Committee Resources – (An under spend of £713,580)

As a result of the delay in announcing the final decision in respect of the Local Government Review (LGR), the £1 million of funding allocated for the implementation of LGR including mobile working has yet to be committed. This is estimated have a significant impact upon the revenue budget (under spend of £768,910) in 2009/10.

It is estimated at the end of the second quarter that there will be a net increase in Housing Benefits subsidy The total is £172,290 which is 0.47% of the total Housing Benefits Subsidy (£36,698,150).

There has also been additional income in respect of revised rental at a shop attached to the Guildhall civic building (£28,450), some savings from staff vacancies and maternity leave in Chief Executive Services (£41,120) and savings from vacancies in Treasury Services. This has been partly offset by redundancy and early retirement costs and an increase in audit fees and bank charges.

3. OTHER FINANCIAL VARIATIONS

- 3.1 There is a net transfer from Earmarked Reserves of £183,070 including £125,000 from the LABGI funding for the recession reserve, £140,000 from the Leisure Contract reserve, £21,420 from the Building Control reserve, £18,950 from the Empty Homes reserve, £5,190 from the Housing Market Assessment reserve, £5,000 from Travelsmart reserve and £9,590 from the vehicle licensing reserve. There is a £10,000 contribution to the Licensing reserve and £132,080 contribution to the Planning Delivery Grant reserve.
- 3.2 There is a reduction of £43,990 in respect of the Business Growth Incentive Grant as a result of the Government's redistribution of grant monies.
- 3.3 A provision of £500,000 was made for redundancy and currently £176,080 has been incurred under Service Committee Net Expenditure. The government have allowed us to capitalise this expenditure, which has therefore been removed from the revenue position.
- 3.4 The overall net transfer from the General Fund Working Balance is estimated to be £2,157,264 at 31 March 2010 after accounting for July approved supplementary budgets of £456,220.

4. HOUSING REVENUE ACCOUNT (HRA)

During this period the total of the variances indicate that there will be a net deficit of £726,165 which will be taken from the working balance at 31 March 2010. £682,100 relates to a planned reduction in the working balance to provide for revenue contributions to capital expenditure and £44,065 is the estimated additional deficit identified at the end of the third quarter stewardship. It is estimated that the working balance will stand at £2,132,100 at 31 March 2010.

Details of the variances are being disclosed in stewardship reports to Scrutiny Committee Community during the current cycle of meetings.

5. OUTSTANDING SUNDRY DEBT

- 5.1 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.

This does not include housing rent, council tax or business rate debt.

5.2 Outstanding debt at 31 December 2008 stood at £3.959m, at 31 March 2009 it was £4.061m and by October 2009 it was £3.001m. By December 2009 it was £3.571m. An aged debt analysis is shown below, which demonstrates that of the £3.571m debt, £1.16m is less than 30 days old. Debt over 30 days old has decreased over the year from £2.691m to £2.411m.

Age of Debt	December 2009	October 2009	March 2009	December 2008
Up to 29 days (current)	£1,161,129	£708,672	£1,724,055	£1,267,743
30 days – 1 Year	£1,258,539	£1,153,907	£1,309,735	£1,600,756
1 – 2 years	£384,230	£383,548	£304,504	£329,621
2 –3 years	£226,147	£198,437	£158,055	£221,535
3 – 4 years	£155,938	£158,512	£220,090	£171,663
4 – 5 years	£97,901	£117,213	£117,505	£121,193
5 + years	£287,866	£280,826	£227,459	£246,581
Total	£3,571,750	£3,001,115	£4,061,403	£3,959,091

5.3 Of the outstanding debt, the table below sets out the main services and debts owing:

	Outstanding debt – December 2009 £
▪ Commercial rent	£555,524
▪ Trade waste	£105,187
▪ Service charge and ground rent for leasehold flat owners	£68,354
▪ Home call alarms	£7,294
▪ Housing benefit overpayments*	£1,030,317
▪ Engineering	£59,423
▪ AFU	£266,292
▪ Economy & Tourism	£31,579
▪ HRA	£61,197
▪ General Fund Housing	£142,233
▪ River & Canal	£60,222

* These overpayments occur largely due to claimants' change of circumstances which leads to a lower benefit entitlement once a reassessment is made. This figure represents about 2.9% of the total annual benefits paid.

6. CREDITOR PAYMENTS PERFORMANCE

The creditors' payments in respect of the Statutory Performance Indicator BVPI8 shows that the percentage paid within 30 days was 96.2% for the first three quarters of 2009/10 compared with 85.3% for the first three quarters of 2008/09. Work with the software supplier, together with staff development on the new operating system has improved the overall performance. Work is continuing to increase performance further.

7. TREASURY MANAGEMENT UPDATE

- 7.1 Iceland investments – The winding up boards of the two Icelandic Banks have formed differing judgements in respect of Local Authority creditors. Landsbanki have confirmed Local Authorities as priority creditors. Glitnir however have determined that Local Authorities are not priority creditors. Both decisions however are to be challenged in the Icelandic courts. If the Glitnir decision is upheld, the anticipated recoverable amount reduces from 100% to 31%. The anticipated recovery rate for Landsbanki with priority status is 88% dropping to 36% if priority status is lost.
- 7.2 The table below compares the Council's investment and borrowing levels at 31 March 2009 and 31 December 2009.

Date	Investments £m	Borrowing £m
31 March 2009	26.091	18.000
31 December 2009	16.754	7.950
Reduction since 31 March 09	(9.337)	(10.050)

Detailed Treasury Management reports will be presented to Scrutiny Committee – Resources and the Executive Committee on a half yearly basis in November and June each year.

8. CONCLUSION

- 8.1 The forecast decrease in Service Committee net expenditure for 2009/10 totals £510,960 including the supplementary budgets of £456,220. This together with transfers from Earmarked Reserves and the reduction of £43,990 from the Business Growth Incentive Grant will result in a transfer of £2,157,264 from the Working Balance.
- 8.2 The forecast General Fund Working Balance at 31 March 2010 is £3,425,849 and equates to 17.2% of the budgeted General Fund net expenditure.
- 8.3 It is estimated that the HRA working balance will stand at £2,132,100 at 31 March 2010.
- 8.4 The Icelandic banks have come to different conclusions regarding Local Authority creditors. This will now be resolved in the Icelandic courts.
- 8.5 The creditor's payment performance has been maintained at 96.2%.

9. RECOMMENDATION

It is recommended that:

- The General Fund forecast financial position for the 2009/10 financial year is noted.
- The HRA forecast financial position for 2009/10 financial year is noted.
- The outstanding Sundry Debt position as at 31 December 2009 is noted.
- The recovery position of Icelandic investment is noted.
- The Statutory Performance Indicator BVPI8 for creditor's payments 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
2009-2010 REVENUE ESTIMATES - SUMMARY
as at 31 December 2009

	Annual Budget £	Supplementary Budgets £	Revised Annual Budget £	Year End Forecast £	Variance to Budget £
SCRUTINY - COMMUNITY	16,716,480	238,120	16,954,600	17,058,090	103,490
SCRUTINY - ECONOMY	1,121,770	125,930	1,247,700	1,345,240	97,540
SCRUTINY - RESOURCES	5,813,350	92,170	5,905,520	5,191,940	(713,580)
less Notional capital charges	(3,174,750)		(3,174,750)	(3,174,750)	0
Deferred Charges	(2,392,750)		(2,392,750)	(2,392,750)	0
FRS17 Pension Adjustment	1,272,530		1,272,530	1,272,530	0
<u>Service Committee Net Expenditure</u>	19,356,630	456,220	19,812,850	19,300,300	(512,550)
Net Interest	(300,000)		(300,000)	(200,500)	99,500
Business Growth Incentive Grant	(100,000)		(100,000)	(56,010)	43,990
Capitalisation of redundancy	500,000		500,000	(176,080)	(676,080)
<u>General Fund Expenditure</u>	19,456,630	456,220	19,912,850	18,867,710	(1,045,140)
Transfer To/From(-) Working Balance	(1,997,254)	(456,220)	(2,453,474)	(2,157,264)	296,210
Transfer To/From(-) Earmarked Reserves	(932,000)		(932,000)	(183,070)	748,930
<u>General Fund Net Expenditure</u>	16,527,376	0	16,527,376	16,527,376	0
Formula Grant	(11,892,916)		(11,892,916)	(11,892,916)	0
<u>Council Tax Net Expenditure</u>	4,634,460	0	4,634,460	4,634,460	0

March 10

£ 3,425,849

£ 5,583,113

March09

Working Balance

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE – RESOURCES 24 MARCH 2010

EXECUTIVE
13 APRIL 2010

CAPITAL MONITORING STATEMENT TO DECEMBER 2009

1.0 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.

2.0 BACKGROUND

2.1 Local authorities are 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.

3.0 REVISIONS TO THE CAPITAL PROGRAMME

3.1 The 2009/10 Capital Programme, including commitments brought forward from 2008/09, was last reported to Scrutiny Committee - Resources on 25 November 2009. Since that meeting the following changes have been incorporated into the programme:

Description	£	Approval/funding
Capital Programme, as at 25 November 2009	25,307,040	
Budget Deferred to 10/11	(1,421,010)	Approved by Executive 8 December 2009
Overspends/Underspends	(240,180)	
Replacement of Home Call Equipment	58,800	Additional budget approved by Executive 24 November 2009
RAMM Redevelopment	20,000	Additional budget approved by Executive 15 September 2009
RAMM Redevelopment	1,440,810	Additional budget approved by Executive 8 December 2009

Soil Erosion at Clifton Hill	100,000	Additional budget approved by Executive 8 December 2009
Social Housing Grants	(15,000)	Transferred to Revenue
Canal Basin	18,250	Additional external contributions and capital receipts
Energy Conservation	46,100	External funding secured from utility companies
National Cycle Network	61,740	Contribution from DCC
National Cycle Network	2,000	Contribution from RSPB
Old Paper Mill, Countess Wear	5,000	Revenue contribution to capital outlay
18 North Street Panelling	4,000	Contribution from Exeter Historic Buildings Trust
18 North Street Panelling	1,160	Additional contribution from the Conservation Reserve
Revised Capital Programme	25,388,710	

4.0 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.

5.0 PERFORMANCE

5.1 Projected Outturn

The capital programme for the current financial year is £25,388,710. It is projected that £1.565 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.

5.3 Progress

During the first nine months of the current financial year the Council spent £10,560,958 of the 2009/10 Capital Programme.

5.4 This equates 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.

5.5 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	2009/10 Expenditure 3rd Quarter	2008/09 Expenditure 3rd Quarter	2009/10 Expenditure expressed as percentage of Capital Programme	2008/09 Expenditure expressed as percentage of Capital Programme
C1	5,950,100	4,764,515	40.7%	52.7%
C2	1,349,816	1,888,729	27.3%	33.5%
HRA	3,261,042	3,503,556	55.8%	55.7%
Total	10,560,958	10,156,800	41.6%	48.4%

6.0 VARIANCES AND ACHIEVEMENTS

6.1 The main variances and achievements are as follows:

6.1.1 Community & Environment

Cultural City

- **Old Paper Mill Countess Wear (Budget £30,130)**

The mill is a Grade II Listed Building. The works have brought the mill up to a standard where it is safe and is no longer deteriorating. The building can now be opened to the public for guided walks, the first of these will take place during 2010.

There was an overspend on the budget because repairs, that were more extensive than anticipated, were required on some items. This was due to the age of the building and the difficulty sometimes of knowing precisely what works would be required until work had actually started. In particular, extra works were required on the leat wall, roofing timbers, foundations and the southern gable end.

- **Play Area Refurbishments (Budget £280,230)**

Floodlight columns have been installed at the Multi Use Games Area at Pendragon Road and will be made operational during Spring 2010.

Play equipment at Summerway Park was installed in February 2009 and is proving a success. The remainder of the budget will fund a teen shelter, picnic table, handrail for the path and additional play equipment.

A range of outdoor fitness equipment for teenagers and adults and an outdoor table tennis table (both unique for parks in Exeter) have been installed at Belmont Park.

The Countess Wear Multi Use Games Area initial public consultation phase has been completed, and a formal planning application has been submitted. It is anticipated that the facility will be installed in late Spring/early Summer 2010.

A Multi Use Games Area and an extensive range of play facilities have been provided at Kings Heath Park and this is now the best equipped play area in the city. It is planned to provide additional seating at the site this financial year.

Work has begun on installation of the children's play area and landscaping at Wyvern Park. Work should be completed by Spring 2010.

6.1.2 Economy & Development

Accessible City

- **National Cycle Network (Budget £212,440)**

Sections completed this year include the Hamlin Lane Cycle Pad, Wonford Playing Fields Cycleway, Lighting at the Library Fields Cycleway, and Dix's Field Cycle Racks. The majority of these schemes are fully funded by Devon County Council who reimburse us for the costs of the work done and ECC officer time.

Cultural City

- **Corn Exchange Enhancements (Budget £143,490)**

A revised scheme for the proposed toilet refurbishment is out to tender and work likely to commence in the new financial year. Once the cost of this work is known, the residual budget will be used to carry out further prioritised improvements covered by this allocation.

Prosperous City

- **Canal Basin and Quayside (Budget £984,350)**

Work on the contract for the new road/car park/boat storage area commenced in November and is on schedule to complete in the Spring. The first phase of the optic fibre cable link to Exton Road has been completed, with the final phase to progress once the route has been finalised. The contract for the demolition of the old chandlery building has been completed with the cleared site now in use for boat storage. The Signpost development adjoining 60 Haven Road has been completed and the lease has been granted. The proposal to enter into a varied development agreement on the Old Electricity Building has not progressed as quickly as anticipated but we are working with the developer to find a solution that would permit them to build out a refurbishment scheme. Talks have also begun with Sutton Harbour to commence work on the second new build site at the head of the Basin. We are advised that negotiations are ongoing between ECQT and DCC on the site for the new Outdoor Education Centre.

- **Science Park (Budget £95,760)**

The Science Park is broadly on schedule despite slippage of a month in submission of the planning application. The aim is still for a start on site in 2010 with the first building occupied in 2011. The accompanying infrastructure, being delivered as part of the New Growth Point, is also progressing well to ensure that the necessary transport and utilities infrastructure is in place in time.

6.1.3 Corporate Services

Excellence in Public Services

- **Civic Centre Communal Area Refurbishment (Budget £159,070)**

Works to refurbish common areas at the Civic Centre were suspended following a review of budgets last year. However, some works are required for health and safety reasons, such as replacing fire doors and covering/replacing flooring/ceiling tiles which contain asbestos. A programme for these essential works has now been agreed together with the upgrading of water heaters which must meet current standards.

Works will commence in mid February and will last approximately 6 months.

6.1.4 Housing Revenue Account

Everyone Has a Home

- **Sheltered Accommodation (Budget £606,000)**

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.

The design and tender works took longer than anticipated and work is now intended to start on site after April 2010.

- **Defective Properties – British Steel (Budget £337,120)**

The works involve externally cladding the building and then rendering. Due to the bad weather the contract has been delayed by two months and so the works will continue into the new year.

- **Asbestos Removal Works (Budget £100,000)**

It has been necessary to undertake extensive asbestos removal works and it is forecast that there will be an overspend in the region of £100,000 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.

- **Programmed Electrical Re-Wiring (Budget £410,260)**

The testing programme hasn't resulted in as many full re-wires as anticipated and the contractor hasn't been able to carry out as much work as expected.

- **Central Heating Programme (Budget £377,680)**

The bad weather resulted in old gas boilers breaking down. It has been necessary to replace these old boilers with full central heating systems.

7.0 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

**2009-10
CAPITAL MONITORING TO 31 DECEMBER 2009**

	Lead Officer	Category	2009/10 Revised Capital Programme	2009/10 Spend	2009/10 Forecast Spend	2009/10 Budget to be Carried Forward to 2010/11	2009/10 Programme Variances Under ()	£	£	£	£	£
COMMUNITY & ENVIRONMENT												
ACCESSIBLE CITY												
	PM	C2	29,120	11,334	29,120							0
Riverside Valley Park Enhancement												
STRONG COMMUNITIES CITY												
	AC	C2	15,000	15,000	15,000							0
Develop Matthews Hall Topsham												
CULTURAL CITY												
	AC	C2	30,130	35,281	35,281							5,151
Old Paper Mill Countess Weir												
	PM	C2	10,140	2,384	10,140							0
Playing Fields General Improvements												
	PM	C2	51,510	26,678	51,510							0
Bromhams Farm Changing Rooms												
	AC	C2	280,230	173,230	280,230							0
Play Area Refurbishments												
	AC	C1	39,870	24,988	25,000	14,870						0
Sports Facilities Refurbishment												
	PM	C2	15,930	11,089	15,930							0
Parks Improvements												
	AC	C1	45,000	9,811	45,000							0
Roof Improvements to Topsham Museum												
	AC	C2	54,750	600	600							0
Leisure Management Contract												
	AC	C2	77,830	76,747	76,747							0
Pyramids Filters/New Swimming Pool												
	AC	C2	21,260	0	0							0
Exwick Community Centre												
	AC	C1	10,258,670	3,905,022	10,258,670							0
RAMM Re-development												
	AC	C1	10,280	1,497	10,280							0
RAMM Off Site Store												
CARED FOR ENVIRONMENT												
	RN	C1	70,000	21,607	70,000							0
Home Recycling Scheme												
	PM	C1	11,640	0	11,640							0
Public Toilet Refurbishment												
	PM	C2	101,260	1,974	31,260	70,000						0
Local Authority Carbon Management Programme												
	RN	C1	10,000	2,157	2,200							0
Replace Wash Down at MRF and Drainage Alterations												
	PM	C1	10,150	181	10,150							0
Improvements to Cemetery Roads & Pathways												
	PM	C2	10,000	10,000	10,000							0
Cemeteries & Churches Storage Improvements												
	RN	C1	15,000	390	15,000							0
Midi Recycling Banks												
	AC	C2	10,000	0	10,000							0
Upgrade of Turf Sewage Treatment Plant												
	PM	C1	13,840	13,839	13,840							0
General Open Space Improvements												

**2009-10
CAPITAL MONITORING TO 31 DECEMBER 2009**

	Lead Officer	Category	2009/10 Revised Capital Programme	2009/10 Spend	2009/10 Forecast Spend	2009/10 Budget to be Carried Forward to 2010/11	2009/10 Programme Variances Under ()	£
EXCELLENCE IN PUBLIC SERVICES								
Vehicle Replacement Programme	PM	C1	397,450	397,441	397,450			0
Provision of Garden of Remembrance	PM	C1	18,480	12,980	18,480			0
Exwick Cemetery New Burial Area	PM	C1	7,040	7,035	7,040			0
Soil Erosion at Clifton Hill	AC	C1	100,000	0	2,000	98,000		0
Replacement of Homecall Equipment	RN	C1	58,800	0	54,500	4,300		0
Higher Cemetery New Storage Yard & Buildings	PM	C2	2,390	1,000	2,390			0
Belle Isle Nursery - Various Improvements	PM	C2	47,230	4,633	7,230	40,000		0
Replacement of 'Tractor Sheds'	PM	C1	14,670	3,995	14,670			0
HEALTHY & ACTIVE PEOPLE								
Disabled Facility Grants	RN	C1	473,920	249,949	473,920			0
EVERYONE HAS A HOME								
Warm Up Exeter	RN	C2	150,000	137,024	150,000			0
PLEA Scheme	RN	C2	88,580	30,000	88,580			0
Wessex Loan Scheme	RN	C1	587,460	543,088	587,460			0
ExtraLet Plus	SW	C2	200,000	0	200,000			0
Social Housing Grants	SW	C2	2,205,870	500,550	2,205,870			0
Private Sector Renewal Scheme	RN	C2	105,900	64,150	105,900			0
Development of General Fund Housing Land	SW	C2	1,850	0	1,850			0
Shakespeare Road Site	SW	C2	68,050	0	68,050			0
PSL Improvement Programme	SW	C2	200,000	83,006	200,000			0
Renovation Grants	RN	C1	255,250	39,678	255,250			0
SAFE CITY								
CCTV Consultancy in Respect of Enhancements	RN	C1	18,250	8,000	12,000	6,250		0
COMMUNITY & ENVIRONMENT TOTAL			16,192,800	6,426,339	15,880,238	308,830		(3,732)

**2009-10
CAPITAL MONITORING TO 31 DECEMBER 2009**

	Lead Officer	Category	2009/10 Revised Capital Programme	2009/10 Spend	2009/10 Forecast Spend	2009/10 Budget to be Carried Forward to 2010/11	2009/10 Programme Variances Under ()
			£	£	£	£	£
ECONOMY & DEVELOPMENT							
ACCESSIBLE CITY							
	DH	C1	212,440	204,802	212,440		0
National Cycle Network							
Signage / Pedestrian Interpretation	RS	C2	53,710	41,589	41,590	12,120	0
Implementation of Council Walking Strategy	DH	C2	14,890	0	0	14,890	0
Returbish Broadwalk House Car Park	RC	C2	100,000	8,332	100,000		0
CULTURAL CITY							
18 North Street Panelling	RS	C1	22,690	19,973	22,690		0
Corn Exchange Enhancements	DP	C1	143,490	11,418	13,490	130,000	0
Floodlighting	RS	C2	1,340	222	230	1,110	0
CARED FOR ENVIRONMENT							
Heavitree - Environmental Enhancement	RS	C2	7,250	4,671	4,671		(2,579)
City Centre Enhancements	JR	C2	160,110	1,900	20,000	140,110	0
Custom House	DP	C1	5,000	2,323	5,000		0
Conservation Area Enhancements	RS	C2	10,460	3,000	5,000	5,460	0
Ibstock Environmental Improvements	DP	C2	4,450	1,215	4,450		0
Planting Improvements in Riverside Valley Park	RS	C2	14,250	0	0	14,250	0
LEARNING CITY							
Improvements to Quay House Visitor Centre	RB	C1	53,000	0	53,000		0
PROSPEROUS CITY							
Basin / Quayside Redevelopment	DP	C2	984,350	219,870	884,630	99,720	0
Science Park	RB	C2	95,760	26,970	95,760		0
SAFE CITY							
CCTV at Haven Road Car Park & Boat Storage	RC	C2	60,000	0	0	60,000	0
Security Measures for Riverside Valley Park	DH	C2	3,250	0	0	3,250	0
ECONOMY & DEVELOPMENT			1,946,440	546,284	1,462,951	480,910	(2,579)

2009-10
CAPITAL MONITORING TO 31 DECEMBER 2009

	Lead Officer	Category	2009/10 Revised Capital Programme	2009/10 Spend	2009/10 Forecast Spend	2009/10 Budget to be Carried Forward to 2010/11	2009/10 Programme Variances Under ()
			£	£	£	£	£
CORPORATE SERVICES							
ACCESSIBLE CITY							
	PM	C1	27,280	0	27,280		0
Equal Opportunities Improvements							
ELECTRONIC CITY							
	PE	C1	637,010	198,278	615,260	21,750	0
	PE	C2	101,520	10,359	70,520	31,000	0
IT Capital Programme							
EXCELLENCE IN PUBLIC SERVICES							
	JS	C1	50,000	2,778	3,000	47,000	0
	JS	C1	60,310	60,314	60,314		4
	JS	C1	159,070	55,563	59,070	100,000	0
	AS	C1	370,000	0	370,000		0
Civic Centre Update Committee Room Audio Visual Equipment							
Replace Control Panels in Civic Centre Lifts							
Civic Centre Communal Area Refurbishment Capitalised Staff Costs							
CORPORATE SERVICES TOTAL			1,405,190	327,292	1,205,444	199,750	4

2009-10
CAPITAL MONITORING TO 31 DECEMBER 2009

Lead Officer	Category	2009/10 Revised Capital Programme	2009/10 Spend	2009/10 Forecast Spend	2009/10 Budget to be Carried Forward to 2010/11	2009/10 Programme Variances Under ()
		£	£	£	£	£
HRA CAPITAL						
EVERYONE HAS A HOME						
SW	Sheltered Accommodation	606,000	139,600	200,000	406,000	0
SW	Adaptations	400,000	426,885	450,000		50,000
SW	Defective Properties - British Steel	337,120	124,110	187,120	150,000	0
SW	Rendering Works - Flats	407,520	242,088	407,520		0
SW	UPVC Gutters, Downpipes and Fascia Boards	100,000	87,195	92,000		(8,000)
SW	MRA Fees	362,200	0	362,200		0
SW	Environmental Improvements - Fencing	11,370	9,856	11,370		0
SW	Communal Door Entry System	15,840	1,937	15,840		0
SW	Environmental Improvements - General	98,580	19,263	50,000		(48,580)
SW	Programmed Re-roofing	250,000	69,197	250,000		0
SW	Rennes / Faraday House Fire Alarm Upgrade	14,590	14,593	14,593		3
SW	Housing Condition Survey	35,000	27,625	35,000		0
SW	Energy Conservation	262,880	215,312	262,880		0
SW	Asbestos Survey	150,000	74,826	100,000		(50,000)
SW	Council House Extensions	133,030	29,561	133,030		0
SW	Kitchen Replacements	900,000	619,319	950,000		50,000
SW	Asbestos Removal Works	100,000	164,345	200,000		100,000
SW	Bathroom Replacements - Programmed	401,340	245,587	401,340		0
SW	Construct Hard Standings / Parking Spaces	20,000	0	0	20,000	0
SW	3 Bed Conversions to 4 Bed Dwellings	38,550	29,400	38,550		0
SW	Development of HRA Land	36,320	0	36,320		0
SW	Weirfield House Refurbishment	64,000	44,700	64,000		0
SW	Programmed Electrical Re-wiring	410,260	136,322	210,260		(200,000)
SW	Electrical Voids	144,000	110,040	144,000		0
SW	48 Church Road - Roof	0	0	17,000		17,000
SW	Central Heating Programme	377,680	307,060	452,680		75,000
COUNCIL HOUSEBUILDING PROGRAMME						
SW	Merlin Crescent	144,000	91,420	144,000		0
SW	Sivell Place	24,000	30,799	24,000		0
HOUSING REVENUE ACCOUNT TOTAL		5,844,280	3,261,042	5,253,703	576,000	(14,577)

**2009-10
CAPITAL MONITORING TO 31 DECEMBER 2009**

Lead Officer	Category	2009/10 Revised Capital Programme	2009/10 Spend	2009/10 Forecast Spend	2009/10 Budget to be Carried Forward to 2010/11	2009/10 Programme Variances Under ()
		£	£	£	£	£
CAPITAL AND PROJECT EXPENDITURE TOTAL						
		25,388,710	10,560,958	23,802,336	1,565,490	(20,884)
HRA Capital Schemes	N/A	5,844,280	3,261,042	5,253,703	576,000	(14,577)
Reasonably certain of being able to deliver within planned timescales						
Less certain of being able to deliver primarily due to factors outside the control of the Council	C1	14,607,300	5,950,100	14,122,444	477,060	(7,796)
	C2	4,937,130	1,349,816	4,426,189	512,430	1,489
CAPITAL AND PROJECT EXPENDITURE TOTAL						
		25,388,710	10,560,958	23,802,336	1,565,490	(20,884)

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

EXETER CITY COUNCIL

SCRUTINY COMMITTEE – RESOURCES 24 MARCH 2010

EXECUTIVE
13 APRIL 2010

ICELANDIC BANKS – FINANCIAL UPDATE

1. PURPOSE OF THE PAPER

- 1.1 To update Members on the latest financial position regarding the money deposited with the Icelandic banks and the implications that this has on the Council's overall revenue budget.

2. BACKGROUND

- 2.1 Members will recall that at the time of the collapse of the Icelandic banking system in October 2008, the Council had money on deposit with 2 of the banks directly affected. It had an investment of £3 million with Landsbanki on a short term deposit that was due to mature on 3 November 2008 and also another £2 million deposit with Glitnir Bank due to mature in early December 2008. Both of these investments were made about a year before the collapse and when the credit ratings of both banks were high. Once the full impact of the potential loss of Icelandic deposits was established, the Local Government Association (LGA) together with its legal advisers has been acting on behalf of all the affected local authorities seeking recovery of the deposited sums.
- 2.2 Up until very recently the LGA had advised that the eventual payout from both banks would be in the 80% to 100% range. Although this identified a potential loss regarding the Council's Icelandic investments, the Government had allowed all local authorities to relax normal accounting rules so that any potential loss could be deferred from 2008/09 and 2009/10 until future years. In October 2009 Communities and Local Government (CLG) announced that this deferral of normal accounting requirements would end after 2010/11 and therefore this would mean that the potential loss on investments would have to be reflected in the accounts for 2010/11. At the same time CLG also advised affected local authorities that applications could be made to capitalise the potential losses during the current (2009/10) financial year. Capitalisation would allow for the loss to be spread over a number of years rather than having being charged to the revenue account all in one go. The deadline for applications to capitalise expenditure was 15 December 2009.
- 2.3 On 7 December the Council applied for capitalisation of £332,000 in respect of a potential loss on our Landsbanki investment. At the time of this application we were still expecting to recover 100% of the £2 million that was held on deposit with Glitnir bank. This was based upon the most recent advice given by the LGA and their legal advisers. On 10 December we were advised that the Winding-Up Board of Glitnir had reversed their previous decision to grant preferential creditor status to UK local authorities. This came as a great surprise and disappointment to the LGA and everyone involved, particularly as this decision was contrary to an earlier decision made by the Winding-Up Board for Landsbanki where preferential status was confirmed for UK local authorities. However, the impact of this decision upon the Council was such that it was suddenly exposed to a potentially significant loss in respect of its Glitnir deposit. As a result, the Council submitted another application for capitalisation for an additional £1.5 million bringing our total claim to £1.832 million for potential losses. In conjunction with this claim, the Council also submitted a request to capitalise £500,000 of revenue expenditure in respect of potential statutory redundancy payments.

- 2.4 In order for CLG to grant approval for capitalisation they must be satisfied that each submission meets certain set criteria including the "exceptional financial difficulties test". At the time we made our submission we were and remain satisfied that we met all the criteria laid down by CLG. On 1 February 2010 the Council received a refusal letter from CLG in respect of our application to capitalise £1,832 million in respect of our potential Icelandic bank losses. It has also since become apparent that whilst some other local authorities have been successful with similar applications a significant number like us have been refused. We have not yet received any specific detail as to why we were unsuccessful with our submission. The Council was however successful in its request to capitalise statutory redundancy expenditure of £500,000.
- 2.5 The impact of the refusal by CLG upon the Council's revenue finances is severe. The Council is now faced with the likelihood of having to account for the potential loss of £1.832 million during the 2010/11 financial year. A medium term financial plan showing the full impact of the loss is shown in Appendix 1. This shows that based upon the Council's current budget proposals, the level of the general fund balance would reduce to £1 million at the end of 2010/11, and reduce even further in the subsequent two years. This is not a sustainable financial position for the Council and will therefore require robust action to ensure financial stability for the future. Over the medium term the level of the general fund balance will need to be reinstated to the minimum level of £2 million in accordance with the Council's current budget strategy.

3. THE NEXT STEPS

- 3.1 The Council strongly believes that the decision taken by CLG on this matter is unsound and that it has failed to appreciate the extreme financial hardship that will be caused by refusing this capitalisation request. Despite extensive lobbying by the Council it is now apparent that CLG is unwilling to reverse its original decision. The Council is however continuing to work with other interested parties in seeking a positive capitalisation decision from CLG. However ultimately, if the Council is unable to capitalise the Icelandic losses then it will have to have a financial strategy to restore financial stability as a matter of extreme urgency.
- 3.2 As indicated above, the medium term financial plan shows that the Council's balances will reduce to £1 million at the end of next year if no action is taken. Whilst in the short term the Council could function with this low level of balances, in the medium term it will be necessary to identify further one-off savings of £1.832 million in order to restore balances to the prudent level that is required. This will be in addition to the £1.741 million of base budget reductions that have yet to be identified after 2010/11. Having already struggled to identify cuts of £1 million for the 2010/11 budget it is unfortunately inevitable that the cuts and savings now required will have a huge impact upon services.

4. OPTIONS TO CLOSE THE FUNDING GAP

- 4.1 As indicated above, the Council was successful in being able to capitalise statutory redundancy payments made during 2009/10, up to a total limit of £500,000. It is therefore recommended that the Council utilises this capitalisation option to reduce revenue expenditure in 2009/10 by £500,000 and thus replenish the General Fund Balance. Similarly, the revenue budget for 2010/11 currently contains a budget provision of £500,000 towards the cost of potential redundancy payments. It is anticipated that the Council will again be able to seek approval from CLG to capitalise the redundancy payments for 2010/11. Both of these capitalisation measures would 'save' expenditure in the short term by spreading the cost of redundancy over a longer period of 'say' 5 years. The potential savings are indicated in the table below showing that the Council will 'save' £500,000 in 2009/10, £400,000 in 2010/11, but thereafter until 2015/16, there will be an additional cost to take into account.

	2009/10 £	2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £
Redundancy	500,000	500,000					
Capitalisation	0	100,000	200,000	200,000	200,000	200,000	100,000
Saving/(Loss)	500,000	400,000	(200,000)	(200,000)	(200,000)	(200,000)	(100,000)

- 4.2 A revised medium term financial plan that takes into account the use of capitalisation of redundancy is shown in Appendix 2. This indicates that the general fund balance would be £1.9 million by the end of 2010/11 but would fall well below the prudent level in the following 2 years. The Council will therefore need to consider further budgetary measures to restore balances to a more prudent level after 2010/11. It is therefore recommended that the Council capitalises all of its proposed statutory redundancy payments regardless of the eventual outcome of any final decision made regarding the capitalisation of Icelandic impairment losses.
- 4.3 The Council currently has a number of earmarked reserves that have been set aside for specific purposes. It is proposed that they are fully reviewed at end of the current financial year (2009/10) and any that are deemed to be no longer required will be transferred instead to the Council's general fund working balance.
- 4.4 The final measure to be considered will be to temporarily reduce or suspend spending of part of the Council's revenue budget. This could for example be a temporary suspension of part of the Asset Improvement and Maintenance (AIM) budget or the continuation of measures to review the appointment to vacant posts.

5. RECOMMENDATION

It is recommended that Members of Scrutiny Committee Resources note the report and that Executive approves that:

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

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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MEDIUM TERM REVENUE PLAN (2009/10 - 2012/13) - REVISED FOR ICELANDIC IMPAIRMENT

	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000
Resources				
Central Government Support	11,999	12,090	11,730	11,370
Local Authority Business Growth Incentive Grant	56	50	0	0
Council Tax	4,529	4,730	4,984	5,260
Likely resources	16,584	16,870	16,714	16,630
Expenditure				
Service expenditure				
Committee expenditure base budget	18,402	18,357	17,521	17,501
Inflation	490	301	287	287
Increase in service costs	2,680	1,609	744	249
Identified reductions / additional income	(662)	(1,748)	(191)	(149)
2009/10 Identified Revenue Savings Phase 1	(1,031)	84		
2009/10 Identified Revenue Savings Phase 2	(1,522)			
Revenue Savings		(1,082)	(860)	(881)
	18,357	17,521	17,501	17,007
Potential Impairment Loss re Iceland		1,832		
Forecast overspend Qtr 2	167			
Supplementary Budgets	103			
AIM Carry Forward	353			
Provision for Redundancy	500	500		
LGR Costs including mobile working	300			
	19,780	19,853	17,501	17,007
Other funding				
Investment interest	(201)	(100)	(100)	(100)
Contribution to/ (from) earmarked reserves	(807)	(488)	(132)	0
Contribution to/ (from) balances - Other	(2,188)	(2,395)	(555)	(277)
	(3,196)	(2,983)	(787)	(377)
Total Net Budget	16,584	16,870	16,714	16,630
Opening General Fund Balance	5,583	3,395	1,000	445
Closing General Fund Balance	3,395	1,000	445	168
Balance as a percentage of budget	20.5%	5.9%	2.7%	1.0%

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MEDIUM TERM REVENUE PLAN (2009/10 - 2012/13) - REVISED FOR ICELANDIC IMPAIRMENT

	2009-10 £'000	2010-11 £'000	2011-12 £'000	2012-13 £'000
Resources				
Central Government Support	11,999	12,090	11,730	11,370
Local Authority Business Growth Incentive Grant	56	50	0	0
Council Tax	4,529	4,730	4,984	5,260
Likely resources	16,584	16,870	16,714	16,630
Expenditure				
Service expenditure				
Committee expenditure base budget	18,402	18,357	17,521	17,501
Inflation	490	301	287	287
Increase in service costs	2,680	1,609	744	249
Identified reductions / additional income	(662)	(1,748)	(191)	(149)
2009/10 Identified Revenue Savings	(2,553)	84		
2010/11 Identified Revenue Savings		(1,082)		
Further savings still to be identified			(860)	(881)
	18,357	17,521	17,501	17,007
Potential Impairment Loss re Iceland		1,832		
Forecast overspend Qtr 2	167			
Supplementary Budgets	103			
AIM Carry Forward	353			
Provision for Redundancy	500	500		
Capitalisation of Redundancy	(500)	(400)	200	200
LGR Costs including mobile working	300			
	19,280	19,453	17,701	17,207
Other funding				
Investment interest	(201)	(100)	(100)	(100)
Contribution to/ (from) earmarked reserves	(807)	(488)	(132)	0
Contribution to/ (from) balances - Other	(1,688)	(1,995)	(755)	(477)
	(2,696)	(2,583)	(987)	(577)
Total Net Budget	16,584	16,870	16,714	16,630

Opening General Fund Balance	5,583	3,895	1,900	1,145
Closing General Fund Balance	3,895	1,900	1,145	668
Balance as a percentage of budget	23.5%	11.3%	6.9%	4.0%

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 24 MARCH 2010

EXECUTIVE
13 APRIL 2010

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 that the Executive approves 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 In order to avoid printing the full risk register, which consists of 25 pages, Councillors are able to view the register on the Council's webpage http://intranet/media/word/8/b/DRAFT_2010-Mar_Corp_Risks_Reg.doc

However, to ensure that Members of this Committee are made aware of any new risks arising, these are shown in the appendix to this report

- 3.2 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 changes in risk ratings and/or additional risks being identified:

4. Technological

- **Information Technology security** – increased from Medium to High due to the ever increasing computer virus threats and the need to comply with the stringent requirements of the Government Connect Code of Connection (CoCo)

8. Financial

- **Investment Capital** – increased from Medium to High due to the possibility that the full value of the Icelandic Banks' deposits may not be recovered
- **Loss of Exeter Waste Transfer Station from 1/4/10** - New - Medium - all collected waste will have to be taken to a site designated by DCC (Heathfield at Newton Abbot) thereby significantly disrupting current waste collection operations

- **Renaissance grant monies** – New – Medium - failure to meet terms of reference for the scheme resulting in possible withholding of grant or demand for return of cash

10. Partnership/Contractual

- **Bus & Coach Station redevelopment** – New – Low – a legal challenge to the selection of a developer could delay redevelopment and incur legal costs

3.3 The compilation of the full risk register has a timescale of nearly two months. To ensure that the risk register is as current as possible, it was circulated to the SMT and all heads of service two weeks before this committee meeting to ensure entries are correct

4. RISK MANAGEMENT PROGRESS

4.1 The roll-out to the services of risk and business continuity management is continuing

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

HEAD OF AUDIT

CORPORATE SERVICES DIRECTORATE

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

Background papers used in compiling the report:

None

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					

8. Financial												
10. Loss of Exeter Waste Transfer Station from 1/4/10												
a) Risks & threats:												
<ul style="list-style-type: none"> All collected waste will have to be taken to a site designated by DCC (Heathfield at Newton Abbot), thereby significantly disrupting current waste collection operations Remedial measures to cope with disruption will be paid for by DCC. DCC has earmarked £1M per annum to meet ECC's increased costs Recovery mechanism of this £1M not yet agreed Arrangements to cope with this loss may not be in place by 1/4/10 <p>Consequences:</p> <ul style="list-style-type: none"> ECC Cleansing Services have to rapidly make arrangements to cope with loss and obtain necessary licences, etc. - huge amount of work when capacity already stretched 	4	4	16	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	
	4		16		<ul style="list-style-type: none"> Cleansing Services has prioritised resources into making proper arrangements to meet the change by 1/4/10 Contingencies have been identified should necessary licences not been granted in time 		<ul style="list-style-type: none"> Financial mechanism for compensating ECC needs to be agreed with DCC. Logistical arrangements to cope with closure need to be finalised and negotiated with existing staff and external providers 		<ul style="list-style-type: none"> 1/4/10 Ongoing 	Head of Environmental Health	9, 10, 11, 13	New
	2		4		8		M					

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											
What has been done to control risks (i.e. countermeasures)											

<ul style="list-style-type: none"> failure to put arrangements in place may lead to disrupted collection schedules and public criticism 											
17. Renaissance grant monies a) Risks & threats: <ul style="list-style-type: none"> Failure to meet terms of reference for the Renaissance scheme Consequences: <ul style="list-style-type: none"> withholding of grant or demand for return of cash 	3	3	9	3	2	6	M	<ul style="list-style-type: none"> Manage any clashes between national requirements of funding body, MLA, and internal policies in respect of redundancies, IT, etc. Next review underway now for new funding agreement 	<ul style="list-style-type: none"> Apr 11 	Head of Leisure & Museums Museums Manager	New

10. Partnership/Contractual												
2. Bus & Coach Station redevelopment												
a) Risks and Threats:												
<ul style="list-style-type: none"> Legal challenge to selection of developer 	3	3	9	2	2	4	L	<ul style="list-style-type: none"> External legal advice sought Early announcements made to trigger any potential challenge 	<ul style="list-style-type: none"> Ensure legal advice on procurement is followed 	<ul style="list-style-type: none"> Ongoing 	Head of Estates Services	3 5 New
Consequences: <ul style="list-style-type: none"> Redevelopment delay Legal costs b) Benefits and opportunities: <ul style="list-style-type: none"> Streamlined development process Informed Master Plan/viability analysis Improved scheme quality 												

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - RESOURCES
24 MARCH 2010

EXECUTIVE
13 APRIL 2010

ANNUAL SUSTAINABLE PROCUREMENT AND COMMISSIONING REPORT 2010/11

1. PURPOSE OF THE REPORT

- 1.1 To report to Members progress made against last year's Sustainable Procurement and Commissioning Action Plan.
- 1.2 To outline the Sustainable Procurement and Commissioning Action Plan for 2010/11.

2. BACKGROUND

- 2.1 In March 2009, the 2004 Procurement Strategy was replaced by the new Sustainable Procurement and Commissioning Strategy. This informed the basis of the Procurement Action Plan for 2009/10.

3. PROGRESS TO DATE

Sustainable Procurement and Commissioning Strategy

- 3.1 The Sustainable Procurement and Commissioning Strategy is supported by a Procurement and Commissioning Good Practice Guide and a number of 'tool kits' which were developed during the year. The tool kits provide straight-forward guidance on key elements of procurement and commissioning such as developing a specification, risk management, appointing consultants, etc. This guidance is available on the intranet to assist officers considering contracting as an option.
- 3.2 The success of the information is evidenced by the increasing number of officers who are seeking advice prior to tendering for contracts as diverse as homelessness support and master planning consultants. However, there is no guarantee that all contracts are being managed correctly.

Organisational Structures

- 3.3 The Procurement Group, consisting of officers from within the Council, continues to meet on a regular basis and forms a virtual team which considers changes to processes and documentation relating to procurement. Members of the group are and have been heavily involved in strategic projects such as the RAMM project, the leisure management contract and the housing maintenance contract.
- 3.4 The Procurement Group is increasingly involved in Devon-wide contracts under the auspices of the Devon Procurement Partnership. A current example is a framework contract for the provision of bailiff services. The Council uses a number of providers as do the other Devon districts and unitaries. It is anticipated that by reducing the number of providers an increase in cross border recovery can be achieved as well as a greater consistency of approach.

Working with small businesses

- 3.5 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. A major initiative has been the launch of a new procurement website. This provides additional support for small business in the Exeter economy during the ongoing recession and was launched on 7 December 2009.
- 3.6 This initiative has been coordinated by Exeter City Council on behalf of its partners and in collaboration with Exeter Business Support, Business Link, Exeter Chamber of Commerce and the Exeter Federation of Small Businesses. The website: www.exeterbuysellprosper.co.uk has been designed to actively encourage those making buying decisions in local public sector and large employers, particularly for contracts that do not need to go out to formal tendering to buy from local small businesses.

The Green Accord

- 3.7 The Green Accord is gaining national credibility. It has been recognised as best practice and was placed on the Audit Commissions website, together with the Sustainable Procurement and Commission Strategy. It has recently won several national awards. The Council has trade marked the Green Accord and a business plan was approved for expanding into other sectors and organisations. A number of other organisations including the MET Office, Bristol and Exeter Universities, Hampshire County Council have already signed up to the Green Accord with a number of others currently seeking the necessary approval to do so.

4. CHANGES TO PUBLIC PROCUREMENT RULES

- 4.1 There have been two major changes to the Public Procurement Rules which took effect on 20 December 2009, though they only affect new procurement processes that start after that date. Procurement processes that began (either through advertising the contract or through less formal means) before then will still be subject to the 2006 rules on standstill and enforcement.
- 4.2 The amendments mainly affect the former Regulation 32 (the standstill period) and Regulation 47 (enforcement). There are many changes, some of a relatively straightforward procedural nature, but others with much more significant effects. The changes to the standstill rules are largely procedural changes, but it is very important that changes are followed as failure to do so can trigger the now more serious penalties contained in the new remedies rules. The standstill changes include: a new obligation to release the full reasons for the award decision at the start of standstill, rather than upon request as is the case at present; and a new obligation to allow extra time for tenderers to receive the standstill notice in situations where the notice is sent using non-electronic means.
- 4.3 The changes to the remedies rules include the new penalties of ineffectiveness (ie contract cancellation), civil financial penalties and contract shortening, which will be available for certain serious breaches of the procurement rules. There is also a mandatory new requirement for contracting authorities to suspend a procurement exercise whenever legal proceedings are brought in respect of a contract award decision.

5. FUTURE PLAN OF WORK

- 5.1 The progress achieved against the 2009/10 Sustainable Procurement and Commissioning Action Plan is attached at Appendix I. Considerable progress has been achieved but there are still a number of significant tasks identified that need to be completed.
- 5.2 The Sustainable Procurement and Commissioning Action Plan for the coming year is attached as Appendix II.

6. RECOMMENDED

that Scrutiny Committee Resources and Executive

- 1) supports the Sustainable Procurement and Commissioning Action Plan for 2010/11.

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

TASK	Progress to date
Review the Action Plan to take account of the outcome of the review of unitary status	Not necessary but the recent unitary announcement will have a major impact on next year
Develop and implement models of sustainable procurement that address social, environmental and economic issues. Establish and promote minimum recycled content standards for products used in construction, highways maintenance, estates management and all printed matter, and establish and promote minimum environmental standards for all construction, refurbishment and maintenance work.	Partially achieved by the development of a sustainable evaluation matrix and the Green Accord. A sustainability audit has identified a number of actions that will be addressed next year
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.	The development of a South West Portal has delayed the full integration of the e-procurement solution
Use the corporate financial systems and e-procurement solutions to reduce rogue spend to a minimum.	Whilst rogue spending has been addressed in some categories it cannot be reduced without greater control being exercised
Review the council's approach to assessing the health and safety competency of potential suppliers and contractors building of the 'Managing of Contractors' guidance.	Partially achieved; working with the new health and safety advisor to complete the process
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.	Partially achieved; a number of districts are using the Sustainable Procurement and Commissioning Strategy as a basis for their documents
Baseline the amount spent by the council with voluntary and community sector organisations in order to set a target to increase this expenditure during 2010-12.	Not achieved; the financial system cannot provide the information without additional work
Review and improve the 'Selling to the Council' web pages for businesses in the district.	Review completed in consultation with Federation of Small Businesses; improvements identified to be incorporated
Have achieved a minimum of level 3 in the Sustainable Procurement Flexible Framework with level 5 in at least two categories.	Exceeded: independent audit has confirmed the council has achieved level 5 in all but one category
Demonstrate high quality effective procurement and commissioning activity across the Council through a range of performance indicators.	Achieved; a range of performance indicators have been developed allowing comparison with other Devon councils
Ensure all sourcing and routine procurement activity across the Council is undertaken electronically.	Partially achieved; the use of procurement cards and electronic payment has increased but the use of e-

TASK	Progress to date
	tendering has been delayed whilst the SW portal is developed
Investigate the viability of running annual 'Meet the buyer' events to increase the level of opportunity for local businesses.	Achieved; the investigation revealed that such events are not productive, working in a targeted way with local stakeholders is more effective and a better use of resources
Ensure leisure management and housing procurement strategies reflect best practice and deliver real benefits to the council	Partially achieved; both projects are progressing on programme and have been subject to Gateway Reviews by the Procurement Group
Develop sustainable procurement and commissioning good practice guide and toolkits.	Ongoing; the guide and a number of toolkits are available on the intranet but more are needed
Provide advice, guidance and gateway review to strategic procurement projects	Achieved; Gateway Reviews completed on the RAMM, Leisure Management Contract. Housing Maintenance Contract etc.
Contribute to the achievement of efficiency by the use of innovative contract arrangements such as, e- auctions, frameworks or call off contracts.	Ongoing; A Framework Agreement is being developed for Bailiff Services with other councils in Devon
Work with Devon Procurement Partnership and LIFT SW to identify opportunities to share expertise and maximise competitive advantage.	Ongoing; the development of the South West Portal will be key to this
Develop an approach to asset acquisition to ensure compliance with Procurement Strategy.	Ongoing; a Whole Life Costing Strategy has been introduced for projects
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.	Ongoing; the Green Accord Business Plan identifies the way forward

**SUSTAINABLE PROCUREMENT & COMMISSIONING ACTION PLAN
APRIL 2010 TO MARCH 2011**

TASK	BY WHOM	BY WHEN
Review the Action Plan to take account of the impact of a achieving unitary status; were unitary status to be achieved the Action Plan would need to be limited to essential tasks only as resources would be diverted managing contractual issues arising from the move to unitary.	Head of Contracts/ Procurement Group	Within two weeks of confirmation of Unitary position
Implement improvements identified in the Environmental Sustainability Audit as they relate to procurement in order to better address social, environmental and economic issues.	Head of Contracts	To timetable agreed in audit
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/ Procurement Group	March 2011
Complete the review of 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 & Env. Heath	December 2010
Monitor the take up of contract opportunities by Small and Medium Enterprises, Black Minority Ethnic, Disabled and Women only organisations	Head of Contracts	March 2011
Review and improve the 'Selling to the Council' web pages with particular emphasis on businesses in the local area, develop the web based information to assist SME involvement in council tenders in accordance with the Glover Report recommendations and promote to the business community.	Head of Contracts/ Procurement Group	March 2011
Develop internal capacity of the awareness and use of sustainability in procurement activity by extending the Green Accord to all sections of the Council, including the embedding of equality and diversity within the awarding of contracts and compliance monitoring.	Head of Contracts/ Procurement Group	March 2011
Achieve level 5 across all categories in the Sustainable Procurement Flexible Framework.	Head of Contracts	March 2011
Ensure all sourcing and routine procurement activity across the Council is undertaken electronically as far as is possible.	Head of Contracts	March 2011
Develop and promote guidance on involving users in the procurement process working with them to provide training and improved awareness on their role in the procurement and commissioning process such as the evaluation tenders.	Head of Contracts/ Procurement Group	March 2011
Ensure the Leisure Management and Housing Maintenance tenders are evaluated in a way that optimises the benefit to the council.	Procurement Group	October 2010
Review and set up reporting feedback processes to ensure procurement and commissioning processes are developed and based on users needs.	Procurement Group	March 2010
Develop procurement good practice guide and toolkit and continue to provide advice, guidance and gateway reviews to strategic procurement projects	Head of Contracts & Direct Services	Ongoing
Work with Devon Procurement Partnership and SWRIEP to identify opportunities to share expertise and maximise competitive advantage.	Head of Contracts	Ongoing
Combine the building and engineering approved lists into a consolidated list to provide greater consistency and clarity and seek to extend in partnership with other districts and stakeholders.	Procurement Group	Ongoing
Identify areas of existing procurement procedures that need to be improved and implement changes to comply with legislation and good practice	Procurement Group	Ongoing

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 24 MARCH 2010

INTERNAL AUDIT WORK – 2nd HALF-YEAR 2009/10

1. PURPOSE OF THE REPORT

- 1.1 To advise the Committee 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 2009/10 Audit programme was approved at this Committee's 25 March 2009 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 examples 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 fundamental systems will be audited in accordance with the 2009/10 audit plan, and it is expected that the majority of the planned non-fundamental systems audits will also be achieved.
- 3.2 Sickness per full-time equivalent employee (FTE) is lower than last year, being 2.3 days compared with 3.3 days in the previous year.
- 3.3 The Unit's performance measure is to be compliant with the CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom* (2006). To further compliance with the code, work is progressing with other members of the 'Internal Audit Benchmarking Partnership' to enable peer reviews to be undertaken during 2010/11.
- 3.4 During the year, the City Council submitted a successful tender to supply 50 audit days to East Devon District Council in competition against several private firms. These additional days were sourced by the part-time Auditors working the 50 additional days required to ensure that there would be no affect on the planned City Council audit testing

4. WORK UNDERTAKEN

Findings

- 4.1 **Treasury management** – please see Appendix 1, point 1.1
- 4.2 **Corporate credit cards** – the audit found:
- a) the authorising supporting documentation had not been retained for all transactions
 - b) cases where authorisations were obtained after the transactions were undertaken
 - d) a self-authorized transaction had been processed for payment
 - e) VAT being recorded incorrectly on the 'reconciliation' spreadsheets

Unless transactions are correctly recorded and supported, then the Council cannot reclaim VAT. The cases were reported to the relevant managers, and audit checks are ongoing

4.3 **Payroll** – please see Appendix 1, point 1.2

4.4 **Council tax** - please see Appendix 1, point 1.3

4.5 **Sustainability** - the audit found:

a) although a climate change risk register has been established, a sustainability risk register (to cover a wider area) had not. A September 2010 target date was agreed for establishing a sustainability risk register

b) not all Council properties are recorded on a central property database, therefore, water meter readings are not recorded centrally, making it impossible to monitor all water consumption. A December 2010 target date was agreed for establishing a central database

c) for a number of products identified in the procurement sample, it was difficult to decide whether the products complied with the Council's policy, the staff responsible were unsure. A December 2010 target date was agreed for issuing a team brief to all staff

4.6 **Housing benefits subsidy claim** – the 2009/10 subsidy claim is audited to check that cases have been correctly classified, for any material errors could result in a significant loss of income. The audit found some errors in respect of: rent rebate eligible overpayments; local housing allowance expenditure; and rent allowance, eligible overpayments. These were promptly reported so that the claim could be corrected and the staff responsible made aware of their errors, and provided with additional training where necessary

4.7 **Computers** – a) work has been undertaken with IT staff to meet the Government's GovConnect requirements. External assessors undertook an audit on behalf of GovConnect to assess the Council's compliance and ensure that data is being held and treated in strict accordance with its security classification

b) work has begun in rewriting the audit papers used to test the Council's computer systems and procedures to take account of the industry's best practice standards, such as COBIT, ITIL and GovConnect and meet IT Governance requirements. Once written, the testing papers are being sent to CIPFA so that they can be reviewed by a senior NHS computer auditor. The returned papers will then be used for testing the Council's systems, etc. and published by CIPFA later this year

4.8 **Investigations** –

a) there has been an increase in the public's use of the Council's on-line 'Report It' fraud hotline. The majority of the reports have been in respect of housing benefits, however, other allegations have included sub-letting of council housing and council taxpayers falsely claiming single occupancy discount

b) a manager asked for an investigation to be undertaken concerning suspicions that some employees were falsifying the entries they input into their hand-held time recording devices. The suspicions were subsequently proven for three employees who all resigned prior to their disciplinary hearings. On the positive side, however, the other employees observed during the investigation were found to be undertaking the visits required and recording their times and locations accurately

5. RECOMMENDATION

5.1 That the Internal Audit Report for the 2nd half-year of 2009/10 be received.

HEAD OF AUDIT

CORPORATE SERVICES DIRECTORATE

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

1.1 Treasury Management (TM)

Executive Summary

From the testing undertaken, controls were in place and working in the following areas: risk management; cash-flow; capital Investments; 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 TM document and schedules had not been updated to reflect changes in CIPFA's TM guidance	Yes – due to changes in the CIPFA guidance, the document and schedules need to be updated again and agreed by the respective Committee	31 Mar 10
2.a) the interest repayments are calculated using a spreadsheet, but the formulae is not protected b) the calculations are not checked and signed by an independent employee to confirm they are correct c) details provided to lenders is not checked for accuracy	Yes – a) the formulae will be protected b) An independent person will undertake these checks c) An independent person will undertake these checks	15 Jan 10 Immediate Immediate
3. one authorised user uses another's login id and password to undertake this role, which contravenes the IT acceptable use policy	Yes – a) the user has been set-up with a separate id and password b) all Treasury Services staff have been made aware of the IT Acceptable Use Policy	Immediate Immediate
4. the systems administrator role is undertaken by an employee who also: - carries out the daily cash-flow procedure - inputs, amends and deletes CHAPS transactions in the TM system The person can therefore input and approve transactions	Yes – separation of duties will be established as part of the Treasury Services restructure	1 Feb 10

1.2 Payroll

Executive Summary

From the testing undertaken, controls were in place and working in the following areas: deductions; payments; and electronic transfer of data. However, the audit found the following areas for improvement:

'High' and 'Medium' priority areas	Action agreed?	Date agreed
<p>1.a) the office manual is out-of-date as it does not show the upgrades made to the system</p> <p>b) changes to procedures (e.g. timesheet submitted electronically) do not appear in the office manual</p> <p>There is therefore no record to refer to in case of staff being unexpectedly absent</p>	<p>Yes – the office manual and Resource link systems manual will be updated</p>	<p>Feb 10</p>
<p>2. two errors were found that were 'missed' by payroll staff when manually checking batch inputs and downloads</p>	<p>Yes - although checks were undertaken, the two errors were overlooked. Payroll staff have been reminded to thoroughly check all transactions</p>	<p>Immediate</p>
<p>3.a) although staffing agencies are required to:</p> <ul style="list-style-type: none"> - undertake verification of personal identification - check that persons are either British citizens or have valid work permits/visa identity cards, etc. <p>Such stringent tests are not always undertaken for the Council's new employees</p> <p>b) cases were found where starters were required to:</p> <ul style="list-style-type: none"> - provide their driving licence - provide evidence of their degree <p>However there was no proof on file that these documents were checked</p>	<p>Yes – a) HR will introduce more stringent identify checks for starters and current staff in line with the Security Policy Framework (SPF) produced by the Home Office</p> <p>b) HR will ensure stringent qualification checks are carried out (e.g. universities will be contacted to check declared degrees are held)</p> <p>c) HR will ensure supporting evidence is scanned onto staff's individual personnel files</p>	<p>Jan 10</p>
<p>4. a) not all electronic starter forms were completed prior to the employment dates</p> <p>b) some casual staff started their employment before the pre-employment checks had been carried out</p>	<p>Yes – a)&b) line managers and administrators will be reminded of the correct employment procedures</p>	<p>Jan 10</p>

1.3 Council Tax

Executive Summary

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

'High' and 'Medium' priority areas	Action agreed?	Date agreed
1. 18 cases found where three weeks or more had elapsed after the expiry of the diary date and no follow-up action had been taken	Yes – a) the 18 cases have been investigated and appropriate action taken b) staff have been reminded that prompt follow-up action must be taken in all such cases	Immediate Immediate
2. no discount & disablement reduction survey forms have been issued within the last two years due to a barcode problem on the forms	Yes – the IT software providers will liaise with IT with the intention of issuing surveys on a rolling plan basis	End Oct 09
3.a) a former temporary user had access to the system b) a generic user id 'temp on Council Tax' was still active even though there were no current temps c) the password enabling users to alter data on tables and delete history logs had not been recently changed d) it was not possible to check which users had access to the password	Yes – a) procedures will ensure that when a user leaves their access is promptly removed b) the access of the former employee will be revoked. c) use of the 'temp' generic password will be closely monitored and password 'revoked' when temps leave d) IT will be asked to report this weakness to the software supplier to enable a solution to be found	Immediate Immediate Immediate Jan 10

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 24 MARCH 2010

INTERNAL AUDIT PLAN 2010/11

1. PURPOSE OF THE REPORT

- 1.1 To seek the Committee's approval of the 2010/11 Internal Audit plan.

2. BACKGROUND

- 2.1 The Internal Audit strategy was established in line with internal control and risk management best practice.
- 2.2 The Council's Internal Auditors use the 'Enhanced Systems Based Auditing' (ESBA) approach they devised to check that risk and business continuity management is adequately considered and is embedded throughout the Council. This approach ensures that non-financial systems (such as health & safety, risk and business continuity management, data quality) are afforded the same 'fundamental systems' status as the traditionally important financial systems (such as creditors, housing benefits, payroll and council tax).
- 2.3 The fundamental systems are audited on an annual basis using the Council's ESBA control matrices testing papers, whilst the remainder 'non-fundamental' systems are normally audited at least once over a three-year period.
- 2.3 The 2010/11 audit plan has been established in accordance with the audit strategy. The frequency of testing non-fundamental systems has been extended from three to four years, which is still within best practice. The move has been made in order to ensure that the Council's fundamental systems are sufficiently tested whilst making time available for preparing for unitary status in 2011/12 or continuing the provision of internal audit services to East Devon District Council.
- 2.4 The two main risk areas continue to be computers and housing benefits. The reasons for computers are the Council's heavy reliance on IT systems; the continuing threats of attacks from hackers and viruses, and the need to comply with the Government's GovConnect requirements. Housing benefits is high because of the ever present risk of external fraud, and the significant financial affects that would be caused by any loss in the benefits' grant.

3. RECOMMENDATION

- 3.1 That the 2010/11 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

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INTERNAL AUDIT PLAN 2010/11	Audit days
Computers	140
Housing benefits	140
Risk & business continuity management	50
Payroll & pensions	36
Housing	36
Accounting	30
Creditors & corporate credit cards	30
Council tax	30
Performance indicators audits	30
Information management & security (incl. Data protection)	30
Health & safety	25
People management	22
Sustainability/climate change	20
Corporate governance	15
Contracts	12
National domestic rating	12
Procurement	10
Museums service	10
Treasury management	8
Debtors	5
Financial regulations	5
Property & estates	5
Car parks	5
PAYE	5
Cashiers, general banking & income	3
Insurance	3
Security general	3
Telephones & private usage	3
Private sector housing (improvement grants)	3
VAT	3
Car mileage claims	2
Flexi-time	2
Travel & subsistence	2
Partnerships	2
Inventories	1
Petty cash	1
Domestic & trade clinical waste	1
Recycling	1
Members' expenses	1
Unitary or EDDC Contingency	58
Miscellaneous (incl. Contingency, stocktaking, grants, Audit Commission, etc)	65
Total	865

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE – RESOURCES 24 MARCH 2010

ENERGY MANAGEMENT REPORT

1. PURPOSE OF THE REPORT

- 1.1 To inform Members of the measures currently in place to manage energy use within civic buildings.

2. BACKGROUND

- 2.1 The council manages its energy use via a proprietary Building Management System (BMS). This allows for the ongoing control and monitoring of:

- Lighting
- Heating – based on either outside temperature and/or thermostats in room; the outside temperature governs the boiler setting, the room thermostats can then control local room temperatures.
- Air conditioning
- Hot water
- Ventilation of car parks
- Carbon dioxide monitoring

- 2.2 The BMS is controlled from a computer terminal in Contracts and Direct Services by the electrical and mechanical engineers. They perform ongoing daily monitoring of the operation of plant installations and systems. The BMS system flags problems automatically and is used by the engineers to respond to complaints raised by facility managers or other staff.

- 2.3 A list of sites controlled by the BMS is included in Appendix I. These sites are monitored by sensors fitted to items of plant such as boilers, valves and pumps.

3. BENEFITS OF USING A BMS

- 3.1 Using the BMS has a number of benefits;

- Control – it allows control of plant and equipment where sensors are in place (as in Appendix I).
- Monitoring – it allows monitoring of the operation of plant and equipment
- Warning - the system highlights or flags up any operation, repair or maintenance issues for example where plant and equipment are not operating correctly or to their optimum efficiency.
- Information – it allows historic data to be collected and analysed for client information.

- 3.2 Energy and fuel use is optimised by careful setting of heating, light and hot water and air conditioning controls and monitoring through the BMS. For example the car parks lighting systems which are a very heavy energy user are set to pre-determined times so that lighting is only provided when it is operationally needed.

- 3.3 It can be evidenced that measures taken in controlling heating fuel use at Civic Centre have delivered beneficial savings. For example in 2008/09 the cost of oil used was £7,000 less than that budgeted (31%). At the present time in 2009/10 savings of some £3,500 (16%)

are predicted, on a reduced budget, despite the exceptional cold snap this winter and substantial increases in fuel costs this year.

- 3.4 Despite the above, the BMS cannot fully compensate for deficiencies in existing systems and changes to building design or use. The Civic Centre is a case in point. It has had double glazing fitted, partitions removed, extensions built and the installation of numerous pieces of IT yet it still has largely the same heating system with the same zoning and thermostatic controls as when it was built. This, when personal preferences are factored in, makes it virtually impossible to provide an acceptable ambient temperature throughout the building due to its age and configuration.

4. PLANNED IMPROVEMENTS FOR THE BMS

- 4.1 Whilst the BMS controls and monitors fuel use it cannot establish what energy is being saved. A software upgrade later this year will allow for this in conjunction with 'smart' metering to better monitor lighting, power, gas via the existing BMS system. This will give greater control and data capture to be able to determine energy use and identify more accurately where the energy is used. This will allow comparative analysis on say a floor by floor basis.
- 4.2 We will be working with the BMS supplier to examine the benefits of a Virtual Private Network which, with a possible separately hosted server, to enable remote monitoring and fault diagnosis of the BMS system, prior to service visits. This will reduce contractor site time resulting in less cost and should lead to less down time when equipment breaks down.

5. ADDITIONAL IMPROVEMENTS

Energy Saving Voltage Stabiliser/Optimisation Units

- 5.1 A Voltage Stabiliser Unit (VSU) was installed in the Civic Centre 18 months ago. This, along with other initiatives, has produced a saving of some 8-10% reduction in electrical use over that time. The other initiatives that have contributed to this reduction are the installation of energy efficient lighting, the increased use of movement detectors for lights and items of plant have been replaced with more efficient equipment such as lift controls. It is proposed to install a Voltage Optimisation Unit (similar to VSU) to reduce the energy use of lighting system at the Matford Centre.

Low Energy Lighting

- 5.2 The programme of fitting low energy lights in virtually all locations in the Civic Centre was completed some time ago with many lights working from movement detecting (PIRs) to save energy when rooms are not occupied. This has been extended by the installation of low energy light fittings in various car parks; Civic Centre, Guildhall, Broadwalk House and similar work is planned for Mary Arches, King William, Cathedral and Quay Car Parks in due course as funding permit. These installations should deliver substantive savings both by reducing the present high running costs and through increasing the period for replacing lights. This action also contributes to the Council objective in relation to reducing carbon emissions.

Digital Thermostats

- 5.3 In an attempt to improve the control of the Civic Centre heating digital thermostats are to be installed as a pilot scheme. These will both be more accurate than those currently in use and will give a visual display of actual temperature to provide assurance to staff as to the temperature in offices.

Alternative Sustainable Energy Supply

- 5.4 Whilst we have installed some sources of alternative sustainable energy supply they do not generate large energy savings. As part of the Carbon Management Programme it is planned to retro fit photovoltaic cells to a number of civic buildings. This will not only save on energy use but will also enable us to make use of the recently introduced fuel buy back scheme and feed energy into the grid when it is not needed in our buildings.

6. ENERGY PURCHASE

- 6.1 Over a number of years the Council has developed a partnership with UX Online; an organisation that manages the letting of tenders and fuel suppliers at no direct cost to the Council. Their knowledge of the energy market has been crucial in optimising the benefit from fluctuations in the price of fuel.

7. RECOMMENDED

That Members note the content of the report.

HEAD OF CONTRACTS & DIRECT SERVICES

COMMUNITY & ENVIRONMENT DIRECTORATE

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

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List of Sites Currently Connected to the BMS

Art Centre (Bradninch Place) & Media Centre
Belle Isle Nursery (Controls only maintained, not monitored by BMS)
Broadwalk House MSCP
Civic Centre
Corn Exchange
Custom House
Customer first
Grandisson Court
Guildhall MSCP
Guildhall
King W Street MSCP
King W Street MSCP Extension
Livestock Market
Mary Arches MSCP
RAMM Museum Collection Store (The Ark)
Oakwood House
Paul Street MSCP
RAM Museum (Limited to York Wing whilst under re-furb)
Toronto House
Wonford CC (Controls only maintained, not monitored by BMS)

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