

SCRUTINY COMMITTEE - RESOURCES

22 June 2011

Present:

Councillor M A Baldwin (Chair)

Councillors Branston, Bull, Henson D.J., Morris, Mottram, Spackman and Tippins

Chief Executive, Director Corporate Services, Assistant Chief Executive, Head of Treasury Services, Head of Contracts and Direct Services, Head of Human Resources and Member Services Officer (SJS)

Also present:

Councillor Edwards – Leader, Portfolio Holder for Budget and Strategic Vision

Councillor Martin – Portfolio Holder for Business Transformation and Human Resources

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

Mr P Sethi – Representative from Grant Thornton, the Council's External Auditor

30 **Minutes**

The minutes of the meeting held on 23 March 2011 were taken as read and signed by the Chair as correct.

31 **Declarations of Interest**

Members made no declarations of interest.

32 **Interim Audit Report**

Mr Morris and Mr Sethi from Grant Thornton, the Council's External Auditors, presented the Interim Audit report to Members.

Mr Morris updated Members on the audit approach including the agreed timetable and the review of the process and position for the Council's transition to the International Financial Reporting Standard (IFRS). He outlined the issues identified on the accounts audit risk assessment and the work completed and planned to address the issues.

Mr Sethi advised of the results of the interim audit work including the review of the internal audit function, close down procedures, financial reporting controls, key financial systems and review of information technology controls. Members were informed that no significant issues had been identified throughout the interim audit work.

In response to Members' questions, Mr Morris clarified the governance position with regards to reporting errors over £21,000 to Members with non-material errors below £21,000 being reported to management. The Council had adequate measures for network intrusion detection and prevention.

The Director Corporate Services stated that the Council's IT systems were CoCo compliant and the Council was working with other authorities to look at cost effective options for improving IT protection.

The Chair thanked Mr Morris and Mr Sethi for their presentation.

Members noted the report.

(Report circulated)

33 Leader and Portfolio Holder to present the priorities for the forthcoming year

The Leader presented the priorities for the budget and providing value for money across the Council's services. The report is attached to these minutes.

Councillor Martin presented the priorities within the Portfolio Holder for Business Transformation and Human Resources. The report is attached to these minutes.

The following responses were given to Members' questions:-

- Group Leaders had each nominated a Member from their Group on this Committee to oversee the proposed review of the Council's services and processes
- With its own entrance it was possible that, in the future Phase 3 of the Civic Centre could be let out as separate accommodation
- No guidance had been received from Central Government as to how changes to council tax benefits should be implemented, every Council having to design its own scheme for delivering this element of the benefit system
- No guidance was available as to how the new Universal Benefit would be delivered.

PERFORMANCE MANAGEMENT

34 AIM Property Maintenance Outturn Report 2010/11

The joint report of the Head of Contracts and Direct Services, Acting Head of Housing Services, Head of Treasury Services and Acting Head of Estates was submitted, detailing the financial position of the £7.6m programme of reactive and planned property maintenance and refurbishment at the end of the financial year 2010/11 but before final closure of accounts.

Members were circulated with a response to notified questions from a Member.

The Scrutiny Committee – Resources noted the outturn financial position of the £7.6m programme of reactive and planned property maintenance and refurbishment for 2010/11.

(Report circulated)

35 Annual Results of Performance Monitoring 2010/11

The report of the Director Corporate Services was submitted, reporting the annual figures for those statutory and local performance indicators that relate to services provided by the Corporate Services Directorate and certain Council-wide indicators.

Members were circulated with a response to notified questions from a Member.

The Director Corporate Services clarified that the time taken to process housing and council tax benefit had increased as a result of an increase in case load for staff . This would be closely monitored by Management.

In response to a question regarding the number of employees with a disability, the Head of Human Resources clarified that the Council was below target possibly because staff with a disability may not wish to declare this. The overall percentage figure was likely to remain static in the foreseeable future due to the continued low level of external recruitment.

The Scrutiny Committee – Resources noted the report.

(Report circulated)

MATTERS FOR CONSIDERATION BY THE EXECUTIVE

36 Capital Monitoring 2010/11 and Revised Capital Programme for 2011/12 and future years

The Head of Treasury Services presented the report advising Members of the overall financial performance of the Council for the 2010/11 financial year, in respect of the annual capital programme, and seeking approval of the 2011/12 revised capital programme, including commitments carried forward from 2010/11.

Members were informed that the capital expenditure in the year amounted to £22,335,187, a reduction of £5,666,803 on the planned figure of £28,001,990 and the actual expenditure during 2010/11 represented 79.8% of the total approved for the revised Capital Programme. This was in comparison to 2009/10 when the capital expenditure was equivalent to 64.8%.

The Head of Treasury Services advised of the main achievements and variances.

The Scrutiny Committee – Resources noted the report and recommended that Council approves the:

- (1) overall financial position for the 2010/11 annual capital programme; and
- (2) amendments to the Council's annual capital programme for 2011/12.

(Report circulated)

37 Overview of Revenue Budget 2010/11

The Head of Treasury Services presented the report advising Members of the overall final financial performance of the HRA & General Fund Revenue Budget for the 2010/11 financial year ended 31 March 2011.

He advised that there was an underspend in the Housing Revenue Account of £1,714,508 and an underspend in the General Fund of £1,083,199. Members were updated on the variances in the Service Committees including the new contract for the management of the sports facilities and the budget variance in the Benefits paid and Subsidy received.

The Head of Treasury Services stated that at 31 March 2010 the General Fund working balance was £3,844,811 with a surplus of £348,086 as at 31 March 2011, leaving the current balance at £4,192,897. Group Leaders and Portfolio Holders had discussed the benefits of subjecting the Council's new organisational structure to a systemic review of procedures and practices and it was proposed to recommend to Executive that it earmark a sum of £175,000 for this purpose.

In answer to Member's questions, the Head of Treasury Services stated that the new contract for the management of the sport facilities represented a genuine saving and the medium term financial plan forecast was that the General Fund Working balance was anticipated to be £2 million by 2014/15.

The Scrutiny Committee – Resources noted the report and requested that Council note the overview of the Resources Budget for 2010/11 and approve the following:-

- (1) the net transfer of £409,949 from Earmarked Reserves, as detailed in paragraph 3.14 of the circulated report;
- (2) the supplementary budgets totalling £147,170, as detailed in paragraph 3.10 of the circulated report;
- (3) the Earmarked Reserves at 31 March 2011;
- (4) the Council Tax account and collection rate;
- (5) the outstanding sundry debt and aged debt analysis;
- (6) the creditor payments performance;
- (7) having regard to the General Fund working balance at 31 March 2011 of £4,192,897, the overall financial position of the Council as set out in paragraph 3.9 of the circulated report; and
- (8) the Housing Revenue Account working balance at 31 March 2011 of £3,917,868.

(Report circulated)

38 Treasury Management 2010/11

The Head of Treasury Services presented the report detailing the overall performance for the 2010/11 financial year and the position regarding investments and borrowings at 31 March 2011.

Members were advised of the final net interest position including variations, the investment interest and the current situation with regards to the monies in Glitnir and Landsbanki.

In response to a Member, the Head of Treasury Services stated that the Council had been paying a fixed fee to its Investment Fund Managers. The Fund was now closed and any surplus funds were now placed in short terms account for immediate access.

The Scrutiny Committee – Resources noted the Treasury Management report for 2010/11 and recommended approval by Council.

(Report circulated)

39 Annual Governance Statement

The Head of Treasury Services presented the report setting out the proposed Annual Governance Statement that would accompany the Council's Annual Statement of Accounts for 2010/11. This Statement also incorporated the Council's Code of Corporate Governance which was published on the Council's website.

He brought Members' attention to the significant governance issues that had been undertaken during the year to further improve the Council's Governance arrangements.

The Director Corporate Services clarified that all the Council's payments over £500 were accessible on the Council's website.

The Scrutiny Committee – Resources

- (1) supported the Annual Governance Statement; and
- (2) recommended that Council note and approve the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2010/11.

(Report circulated)

MATTERS FOR CONSIDERATION BY SCRUTINY COMMITTEE - RESOURCES

40 Revenue Final Accounts 2010/11

The Head of Treasury Services presented the report advising Members of the overall financial performance of Resources Committee Revenue Accounts for the financial year ended 31 March 2011.

He updated Members that during 2010/11, benefits of £44.5m had been paid and a subsidy of £42.8m received. This resulted in an overall budget variance of £532k which represented 1.19% of the gross benefit expenditure. However, homelessness payments above the rental subsidy cap had accounted for some £160k of this deficit.

The Scrutiny Committee – Resources noted the report.

(Report circulated)

41 Workforce Profile and Learning and Development Report 2010/11

The Head of Human Resources presented the report which provided a comprehensive profile and overview of key workforce and learning development activities for the Council between April 2010 and March 2011.

Members were advised there had been a reduction in the overall sickness from 10.16 days to 8.63 days and that the percentage of sickness that was due to stress had fallen from 18% to 6%.

The Scrutiny Committee – Resources noted the contents of the report and supported the proposed actions outlined.

(Report circulated)

42 **Members' Allowances 2010/11**

The Assistant Chief Executive presented the report detailing the allowances paid to Elected Members and Co-opted Members in 2010/11.

A Member requested information on the cost of the Council's Members Allowance Scheme compared to other similar councils.

The Scrutiny Committee – Resources noted the allowances paid to Members in 2010/11.

(Report circulated)

The meeting commenced at 5.30 pm and closed at 6.50 pm

Chair

Minute Item 33

Leader's Half-Year report to Resources Scrutiny

22 June 2011

Exeter City Council faces unprecedented cuts in its financial support from this Conservative-led government. Our experience since September is the front-loading of cuts has meant that some services to the public have been reduced, though we took a political decision to protect grants to community organisations, where services are coming under increasing pressure from the most vulnerable residents in Exeter. Local government has been under sustained political attack from Conservative ministers, assisted by the tabloid press. What I set out below is the impact of Tory cuts on our budgets and an outline of the restructure of the council.

The Council's Current Financial Standing

The Local Government Finance Settlement for Exeter this has meant a cut in formula grant of almost 23% between 2010/11 and 2012/13 with expectations of further cuts in grant beyond that. In cash terms formula grant has reduced from £10.7 million in 2010/11 to £8.3 million in 2012/13.

The Council's budget proposals for 2011/12 included a package of measures to save some £2.4 million which has resulted in an overall reduction of the revenue budget requirement from £16.8 million in 2010/11 to £14.1 million for the current year. The Council's Medium Term Financial Plan also indicated that in addition to these savings the Council will need to reduce its revenue budget by a further £711,000 in 2012/13, £537,000 in 2013/14 and by a further £1,041,000 in 2014/15.

This amounts to a cumulative reduction of £4,710,000 over the next four years.

In the last year, although the shortfall in funding of the Concessionary Fares Scheme had been substantially mitigated by additional grant, additional pressures from a poor grant settlement and the continuing downturn of the economy meant that a substantial reduction in the General Fund balance was forecast in the budget. However, a successful vacancy management policy, the re-letting of the Leisure Contract and the ability to capitalise redundancy payments combined with other savings has enabled the Council to add back money to its General Fund balance during the year.

We do, of course, have other sources of income, of which council tax (at about £4.7 million per year) is the most significant, but this has been frozen for the current year and thereafter will prove difficult to significantly increase. Additionally, in comparison with most other district councils Exeter has a very low council tax; it currently has the 5th lowest district band D council tax. This means therefore that the council is also less able to generate additional revenue from council tax payers in comparison with most other councils. Whilst other sources of revenue, such as car parking income and property income, are relatively substantial in Exeter, they are both largely dependent on the health of the economy and cannot be expected to significantly increase from current levels in the short term.

With regard to the Council's revenue reserves significant use has already been made of them in recent years as part of the overall budget strategy. The Council's revenue reserves at the end of 2007/08 were some £10.1 million, comprised of £7.5 million of unallocated General Fund balances and £2.6 million of earmarked reserves. By contrast, the Council's reserves position as at 31 March 2011 shows total revenue reserves of only £5.4 million, of which £4.3 million are in respect of the unallocated General Fund balance. The Council has already planned to use its reserves so that the General Fund Balance reduces to the prudential minimum level of £2 million by the end of 2014/15.

All of this leads to the inescapable conclusion that Exeter City Council will have to continue to reduce its cost base in the medium term if it is to meet its legal duty to have a balanced budget whilst providing a wide range of mandatory services to the public. In recent years the Council has been able to save very significant sums from budgets through greater efficiency, service reductions and reduced staffing. This is why the Council has already been adopting a policy of tightly restricting recruitment for the last two years in order to minimise potential impacts on existing staff and the costs of terminating contracts. However, the current financial situation is a step up in gear and we therefore need to take a closer look at the fabric of the council itself.

Management Restructure and Review of Services

The council is undertaking a wide-ranging programme of structural change and service rationalisation.

This has started with a restructure of senior management. The aim is to ensure that by April next year, we have a cost effective and efficient structure to address the council's priorities. Affected staff will of course be engaged in this process as will their trade unions. There will of course be concern among the staff and there will be measures in place to support those who are directly affected by the restructure. Whilst it is still too early to accurately predict the eventual number of actual job losses and any consequential redundancy costs; the costs of the review are likely to be significant. The council is therefore currently seeking to capitalise these costs so that they can be spread over a longer period.

We know that we have a sound record as a successful council providing the public with good value for money. However, our structure is more than a decade old and cuts in budgets have left some areas unbalanced in delivering the best service to the public.

I have already had agreement from the other group leaders to undertake a systemic review of the council's services. We will start with two to three services so that we understand how the process works and what it can deliver for us. The success of this work will rely on all input from the managers and staff of the services as well as councillors being involved and so I hope I can count on your support for this.

The work over this year will allow us to be clear about our priorities and what type of council we need to be to continue to deliver high quality and cost effective services for our residents and continued growth for Exeter as a whole.

It will be challenging time, but we have a history of success as Exeter City Council under Labour control and I am confident that this will continue into the future.

Portfolio Holder Business Transformation and HR Work Priorities for 2011/12

- **Business Transformation**

Local government is under attack by Tory Ministers, who for ideological reasons want to dismantle local government. I believe city council services for Exeter should normally be provided by Exeter city council officers, not by the private sector or workers from other councils. However, our present structure is more than a decade old and is not fit for delivering those services in the 21st Century.

Following the restructuring of the senior management of the council and the development of a new organisational structure it is essential that we ensure that the new organisation adopts and operates efficient, cost effective and customer-led processes. This means a transformation of the way we currently operate. Proposals will be brought forward for a fundamental review of the way services operate. As Portfolio Holder for Business Transformation I will take the lead in this process. It is important that all my councillor colleagues are involved in this process, though I hope members of this committee will take a particular interest.

- **Customer Access**

To provide convenient, easy access to services there is a programme of providing 24 hour access via our website and our telephone payments service. However, there still remains a demand for customers to visit our Customer Service Centre outside of normal office hours. I have asked officers to look at options for opening the Centre on Saturday mornings. Already there have been early discussions with staff and a review is underway of current opening arrangements and costs to explore this further.

- **Housing/Council Tax Benefit**

There continues to be a growing demand for this vital service and our first priority is to continue to ensure that we provide a timely and effective service to current and future claimants. Caseload continues to grow at about 5% a year and staffing resources have not been increased yet our processing times have continued to fall.

Already there have been cuts to Housing Benefit. However, major changes have been indicated. The government's proposals for Universal Credit mean that from the autumn of 2013, only

claimants already receiving housing benefit will continue to receive this service from the Council. All new claimants will have the housing element of their benefits paid for in Universal Credit, with housing benefit being phased out over a number of years. Council Tax benefit will cease on 1 April 2013 and every council has to design it's own scheme for delivering this element of the benefit system while achieving a 10% reduction in the gross cost of the current scheme.

These are huge changes to come to terms with in a very short period of time and the proposals for council tax benefits raises significant issues of having to design a local scheme and avoid a potential huge financial risk for the council. At the present time, government has not provided the information needed to plan for these massive challenges. I will be working with officers to prepare for these changes and to bring proposals back to Members so we can start to understand the issues and challenges we face.

- **Information Technology**

No modern organisation can operate effectively without an efficient use of IT to provide service support and delivery and we have been fortunate that in previous years we have had the resources to invest in the robust systems we currently have. Things will be much more difficult in the future, yet the need for systems development will be even greater as we look to modernise and automate processes. I want to make sure that the review of the council's processes considers fully the opportunities modern communications technology offer, but that investment requires a sound business case to ensure that payback is achieved. One example of this is electronic forms which automatically process data into our back office systems.

- **Civic Centre Accommodation**

In the past two years the Council has seen its staffing reduce by some 20% and this is clear from the utilisation of office space within the Civic Centre. This provides an opportunity to review the allocation of accommodation in light of the forthcoming organisational review and I will be looking to release space which can be let to generate much needed income. Clearly, it will be helpful to have in mind where it would be most beneficial to let any surplus capacity, so I will be considering the options in the near future so that we are ready when the opportunity presents itself and nothing is done in the intervening period which might prejudice our options.

- **Procurement**

I will be spending some time in the coming months familiarising myself with the Council's procurement and Health and Safety arrangements. Procurement is an area under great pressure as resources diminish and I'm keen to review the arrangements we have in place to ensure best value. I have asked for an update on the 'Green Accord' to come to this committee in September. I am attending groups that are consulted in the health and safety process and visiting council departments where there are the greatest risks to see how our policies protect our workers.

Councillor Ian Martin
Portfolio Holder, Business Transformation and Human Resources
June 2011

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