



Exeter City Council

To the Chair and Members
of the Scrutiny Committee - Resources

Please ask for: Sarah Selway

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Our ref:

Your ref:

AGENDA FOR
EXETER CITY COUNCIL
SCRUTINY COMMITTEE - RESOURCES

The Scrutiny Committee - Resources will meet on **WEDNESDAY 21 MARCH 2012**, commencing at **5.30 pm**, in the Rennes Room, Civic Centre, Paris Street, Exeter to consider the following business. If you have an enquiry regarding any items on this agenda, please contact Sarah Selway, Member Services Officer on **Exeter 265275**.

Entry to the Civic Centre can be gained through the Customer Service Centre, Paris Street.

Pages

PART I: ITEMS SUGGESTED FOR DISCUSSION WITH THE PRESS AND PUBLIC PRESENT

1 **APOLOGIES**

To receive apologies for absence from Committee members.

2 **MINUTES**

To sign the minutes of the meeting held on 25 January 2012.

3 **DECLARATIONS OF INTEREST**

Councillors are reminded of the need to declare personal and prejudicial interests, including the nature and extent of such interests, in relation to business on the agenda, before any discussion takes place on the item. Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

Office of Corporate Manager Democratic & Civic Support

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4 **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 -
EXCLUSION OF PRESS AND PUBLIC**

It is considered that the Committee would be unlikely to exclude the press and public during the consideration of any of the items on the agenda but, if it should wish to do so, the following resolution should be passed:-

RECOMMENDED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for consideration of the particular item(s) on the grounds that it (they) involve(s) the likely disclosure of exempt information as defined in the relevant paragraphs of Part I, Schedule 12A of the Act.

5 **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 Corporate Manager Democratic & Civic Support 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>

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

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

7 **CERTIFICATION WORK REPORT 2010/11**

The Council's External Auditor, Grant Thornton, will present the Certification Work Report to Members – *report circulated* 1 - 10

8 **ANNUAL AUDIT PLAN 2011/12**

The Council's External Auditor, Grant Thornton, will present the Annual Audit Plan to Members – *plan circulated* 11 - 28

PERFORMANCE MANAGEMENT

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

9 **AIM PROPERTY MAINTENANCE PROGRESS REPORT 2011/12**

To consider the joint report of the Assistant Director Finance, Assistant Director Economy and Acting Assistant Director Housing and Contracts – *report circulated* 29 - 30

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 Baldwin (Chair), Hobden (Deputy Chair), Branston, Bull, D J Henson, Mitchell, Morris, Mottram, Ruffle, Spackman, Taghdissian, Tippins and Wardle

Find out more about Exeter City Council services by looking at our web site <http://www.exeter.gov.uk>. This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Member Services Officer on (01392) 265275 for further information.

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



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Exeter City Council
Certification work report 2010/11



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Appendices

A	Details of claims and returns certified for 2010/11
B	Action Plan

1 Introduction and approach

Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information. As Exeter City Council's (the Council) external auditors, Grant Thornton undertakes certification work at the Council, acting as an agent of the Audit Commission.

The Audit Commission makes certification arrangements with grant-paying bodies, this includes confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and clearly set out the specific procedures to be applied in examining a claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

Certification arrangements

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return: The arrangements for 2010/11 were:

- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions;
- for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but are not required to undertake any testing of the eligibility of expenditure or data; and

- for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work where possible.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification; or
- without qualification but with agreed amendments incorporated by the Council; or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

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Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or, claw back funding which has already been provided or has not been returned.

In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake our work, which impacts on the certification fee.

2 Results of our certification work

Key messages

For the financial year 2010/11, we certified 6 claims and returns for the Council, which amounted to £112,185,665. This represents both funding claimed by the Council and returns to grant-paying bodies, as well as other financial information.

The Council's overall performance in preparing claims and returns has improved compared to last year as summarised in the table below.

Table One: Performance against key certification targets

Performance measure	2010/11	2009/10	Direction of travel
Without qualification	5	4	↑
Amended	0	0	↔
Qualified	1	2	↑
Total	6	6	

As last year, working papers received in respect of all grants were of a high standard. The claim which was qualified was the Housing and Council Tax Benefits Scheme, but this related to a single issue and for a very low extrapolated amount. A further issue, which resulted in an amendment, related to the assessment of Student Loan income for benefit awards.

Although errors were identified the processes that are in place within the Housing Benefits Section for Quality Assurance are considered to be good. Claims are reviewed regularly and it is apparent that this has contributed to the low error rate that has been experienced in the 2010/11 claim.

Details on the certification of all claims and returns are included at Appendix A. Where we have concluded that an item is significant, further details are included below in this section of our report.

Where claims and returns have been amended or qualified and we have identified opportunities for improvement in the compilation in future years, we have made recommendations to support the Council's continuous improvement. These are included in the action plan at Appendix B.

The Council's and our performance in meeting deadlines relating to the certification of claims and returns is summarised in Table two

Table Two: Performance against deadlines

Deadline	2010/11	2009/10	Direction of travel
Submitted by deadline	6	5	↑
Certified by deadline	6	6	↔

The Council has improved its arrangements to ensure that all claims and returns have been submitted to us within the required deadlines. This has enabled us to meet all the certification deadlines in 2010/11.

Certification work fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. In recognition of the financial pressures faced by Councils, the Audit Commission has maintained these rates in line with those prescribed for 2009/10.

When billing the Council for this work, we are required to use these rates, as shown in the table below.

Table Three: Hourly rates for certifying claims and returns for 2010/11

Role	2010/11	2009/10
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

Our fee for certification work at the Council in 2010/11 was £31,576 compared to £33,937 for 2009/10, a reduction of 7.0%. Details of our fee by claim and return and how this compares to last year are included at Appendix A.

Significant issues

Housing and council tax benefit scheme

For this scheme, we are required to test a random sample of 20 claims for each of the four benefit types - Council Tax, Rent Allowance, Rent Rebates and Non-HRA. If any errors are identified in the initial sample, we are required to undertake additional testing in order to form our conclusion.

Our initial testing identified errors in relation to rent allowances. From our initial testing of a sample of 20 cases, two were identified where the benefit entitlement had been incorrectly calculated causing an underpayment. One case was due to the incorrect application of regulations to a student loan and the other related to the incorrect Local Housing Allowance (LHA) rent being applied to the assessment. As a result, additional testing needed to be carried out on both elements of the claim.

- All cases where a student loan was used to assess benefit were examined, this was due to there being less than 100 cases on the Academy system. Whilst additional errors were identified, we were able to amend the claim, based upon the results from our 100% sample and did not need to qualify.

- An additional sample of 40 LHA rents were examined and one further error was identified relating to a period of 3 days where the assessor did not update the change. The effect of this was a 9p overpayment on the claim. The regulations require that this is extrapolated against the cell population and reported as a qualification issue. The total extrapolated amount was £3.00.

The results of the testing indicates that the Benefits Section have good Quality Assurance processes in place and this is reflected in the number of errors that have been identified during the testing process.

Acknowledgements

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

Grant Thornton UK LLP
January 2012

A Details of claims and returns certified for 2010/11

Claim or return	Value (£)	Certificate	Summary	Fee 2010/11 (£)	Fee 2009/10 (£)
Housing and council tax benefit scheme	43,725,785	Qualified	Whilst the majority of the claim was fairly stated and in accordance with terms and conditions, our testing identified errors in the calculation of awards due to incorrect application of regulations for student loans and an instance where the LHA rent had not been correctly applied. We have made recommendations in relation to these issues at Appendix B.	19,985	20,111
Pooling of housing capital receipts	495,139	Without Qualification	The return was fairly stated and in accordance with terms and conditions.	1,218	862
HRA subsidy	3,945,503	Without Qualification	The return was fairly stated and in accordance with terms and conditions. Additional testing to complete Part B, on a cyclical basis.	2,715	1,830
HRA finance base data return	N/A	Without Qualification	The return was fairly stated and in accordance with terms and conditions. Less testing required as the issues identified in 2009/10 had been resolved.	2,963	5,104
Disabled facilities	281,000	Without Qualification	The return was fairly stated and in accordance with terms and conditions.	633	936
National non-domestic rates return	63,738,238	Without Qualification	The return was fairly stated and in accordance with terms and conditions.	3,200	3,935
Cost of reporting to those charged with governance	-	-		862	940
Total	112,185,665			31,576	33,718

B Action Plan

Claim or return	Recommendation	Priority	Management response & implementation details
Housing and Council Tax benefit scheme	The Council should consider changes to the internal quality review arrangements already in place to ensure that student loans are applied to the benefit assessment in line with regulations.	Medium	<p>Agreed – the Council will review its internal quality review arrangements to ensure that student loans are correctly applied in line with current benefit regulations</p> <p>Head of Treasury Services</p> <p>End of March 2012</p>



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This proposal is made by Grant Thornton UK LLP and is in all respects subject to the negotiation, agreement and signing of a specific contract/letter of engagement.

The client names quoted within this proposal are disclosed on a confidential basis. All information in this proposal is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP

Exeter City Council
Audit plan 2011/12

January 2012

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Agenda Item 8



An overview of your 2011/12 Audit Plan

This is our audit plan for the financial year 2011-12 for Exeter City Council (the Council). It sets out the work that we will carry out in discharging our responsibilities to give an opinion on the Council's financial statements and a conclusion on the Council's arrangements for achieving Value for Money (VfM).

<p>We set an indicative fee in February 2011. In setting this fee, we assumed that the general level of risk in relation to the audit would not be significantly different from that identified for 2010/11. Following the completion of the 2010/11 audit we have updated our accounts audit risk assessment.</p>	<p>See Accounts audit</p>
<p>The new approach to local Value for Money audit work was introduced by the Audit Commission in 2010/11. In 2011/12 we will continue to give our value for money conclusion based on two reporting criteria specified by the Audit Commission.</p>	<p>See Value for money audit</p>
<p>As in previous years, we will use specialists from across Grant Thornton to support our work and ensure that you are getting the required levels of expertise from us.</p>	<p>See Engagement team</p>
<p>We have used the published 2011/12 Audit Commission scale fee for the Council as our proposed fee. The planned fee remains as per the Indicative Fee letter (issued in February 2011).</p>	<p>See Audit fee</p>
<p>You will receive a number of reports and plans from us throughout the year which will provide you with the detailed conclusions of our work culminating in the issue of our Annual Audit Letter to the Council.</p>	<p>See Outputs and timeline</p>
<p>We have considered our independence and objectivity in respect of the audit and do not believe there are any matters which should be brought to your attention. We comply with the Audit Commission's requirements in respect of independence and objectivity.</p>	<p>See Appendix A</p>

Accounts audit - introduction

Introduction

This section of the plan sets out the work we propose to undertake in relation to the audit of the 2011/12 accounts at the Council. The plan is based on our risk-based approach to audit planning and uses our assessment of the potential business and audit risks that need to be addressed by our audit and the controls the Council has in place to mitigate these risks.

The Council's responsibilities

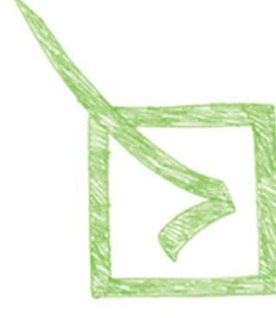
The Council's accounts are an essential means by which it accounts for the stewardship of resources and its financial performance in the use of those resources. It is the responsibility of the Council to:

- ensure the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority;
- maintain proper accounting records; and
- prepare accounts, which give a true and fair view of the financial position of the Council and its group and its expenditure and income in accordance with International Financial Reporting Standards.

Our responsibilities

We are required to audit the financial statements and to give an opinion as to:

- whether they give a true and fair view of the financial position of the Council and its group and its expenditure and income for the period in question;
- whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements;
- whether the Annual Governance Statement (AGS) has been presented in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with our knowledge.



Accounts audit - risk assessment

Accounting risks and planned audit response

Table 1 below summarises the results of our initial risk assessment of significant financial risks facing the Council and our planned response.

Table 1: Accounting risks and planned audit response

Key audit risk	Audit areas affected	Audit approach
Incorrect accounting for Property, Plant and Equipment (PPE)	PPE – valuation, completeness and disclosure	<p>We provide support and clarity around accounting requirements where necessary</p> <ul style="list-style-type: none"> We will discuss with the Council its proposed treatment throughout the year , including the accounting treatment for the recently completed Royal Albert Memorial Museum. We will adopt a pragmatic approach when a degree of judgement is required. The Council will be required to disclose heritage assets as a separate category of assets for the first time in its 2011/12 accounts.
Control weaknesses in the Council's IT systems are not addressed	All areas of the financial statements	<p>Using our specialist IT auditors, we will provide the Council with an expert view on the Council's IT control environment</p> <ul style="list-style-type: none"> We will follow up on the reviews undertaken in 2010/11 to ensure that control weaknesses previously identified have been addressed.
Financial performance pressures affecting the Council's ability to deliver its budget.	All areas of the financial statements	<p>We will continue to monitor the Council's financial position throughout the year.</p> <ul style="list-style-type: none"> We will review the Council's financial performance for the year against its agreed budget. We will review the Council's progress in achieving the required level of savings against its savings plan. We will consider the use of general reserves during the year.

Accounts audit - risk assessment

Table 1: Accounting risks and planned audit response (cont.)

Key audit risk	Audit areas affected	Audit approach
Incorrect accounting for Icelandic Bank investments	Investments and Financial Instruments	<p>We will continue to liaise with officers and monitor future legal decisions and the impact on the recoverability of these investments</p> <ul style="list-style-type: none"> We will consider how the value of these investments is reflected in the Council's accounts We will review the accounting transactions processed by the Council during 2011/12 to ensure any changes in the position are appropriately accounted for.
Insufficient finance team resources to deliver the financial statements	All areas of the financial statements	<p>We will continue to monitor the impact of the current reorganisation on finance resources</p> <ul style="list-style-type: none"> We will regularly liaise with senior management to consider the adequacy of resources to prepare the financial statements We will issue an arrangements letter providing clarity to officers on the working papers required for the final accounts audit.
Compliance with key controls within the creditors system	Expenditure and creditor liabilities	<p>We will liaise with Internal audit and consider work completed on the creditors system</p> <ul style="list-style-type: none"> We will consider the appropriateness and compliance with key controls We will follow up progress made in addressing weaknesses identified in previous reviews.

Our Approach

We will utilise Voyager, our audit software package, to document, evaluate and test, where appropriate, internal controls over the financial reporting process in order to reduce our detailed testing. Voyager also helps us to comment constructively on your system of internal controls.

Our approach will be to report all findings to management so that the Council can choose to secure improvement opportunities. We report only those findings that represent a control weakness to the Scrutiny Committee, Resources and make formal recommendations.

In all cases, we invest time with management in understanding the basis of the weakness identified and what the options are, for example mitigating controls and system modifications, for improving the system.

Planning

- Updating our understanding of the Council through discussions with management and a review of the monthly finance reports

Controls evaluation

- Reviewing the design and implementation internal financial controls including IT, where they impact the financial statements
- Assessing audit risk and developing and implementing an appropriate audit strategy
- Assessing the Council's arrangements for complying with tax legislation and Bribery Act requirements
- Testing the operating effectiveness of selected controls
- Assessing internal audit against the CIPFA Code of Practice

Substantive procedures

- Reviewing material disclosure issues in the financial statements
- Performing analytical review
- Verifying all material income and expenditure and balance sheet accounts, taking into consideration whether audit evidence is sufficient and appropriate

Completion

- Performing overall evaluation of our work on the financial statements to determine whether they give a true and fair view
- Determining an audit opinion
- Reporting to the Final Accounts Committee through our ISA 260 report

Accounts audit - other issues

Whole of Government Accounts

We will review the Whole of Government Accounts (WGA) consolidation pack prepared by the Council for consistency with the Council's accounts.

Electoral challenge

The Audit Commission Act 1998 gives electors certain rights:

- the right to inspect the accounts
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form a decision on the elector's objection. The additional work may be significant and could result in the requirement to seek legal representations on the issues raised. The costs incurred in responding to any questions or objections raised by electors are not part of the audit fee. In the event of costs being incurred as a result of elector's objections we will discuss these with the Council and, where appropriate, charge for this work in accordance with the Audit Commission's fee scales.

Annual Governance Statement and External Reporting

As part of our work on the accounts audit, we will review the Annual Governance Statement (AGS) to determine if it is consistent with our knowledge of the Council.

Certification of Grants and Returns

In addition to our audit of the Council's financial statements and the Value for Money audit, we are required to certify grant claims and returns above predetermined thresholds.

In carrying out work in relation to grant claims and returns, Grant Thornton UK LLP acts as an agent of the Audit Commission, on behalf of the grant paying bodies. The work that the auditor is required to undertake is specified in a Certification Instruction, issued by the Audit Commission for each scheme, following discussion with the grant paying body. As agents of the Audit Commission we are required to recover, in respect of each grant claim and return, a fee that covers the full cost of the relevant work undertaken. These rates are based on the hourly rates for certifying claims and returns set out in the Audit Commissions 'Work programme and scales of fees 2011-12.' Prior to the commencement of our work we will issue a grants plan and report in full to the Council on conclusion of our certification work.

National Fraud Initiative (NFI)

The Council participates in the National Fraud Initiative, the Audit Commission's data-matching exercise designed to prevent and detect fraud in public bodies. We will review the Council's progress and actions in following up the matches identified.

Value for money audit

Introduction

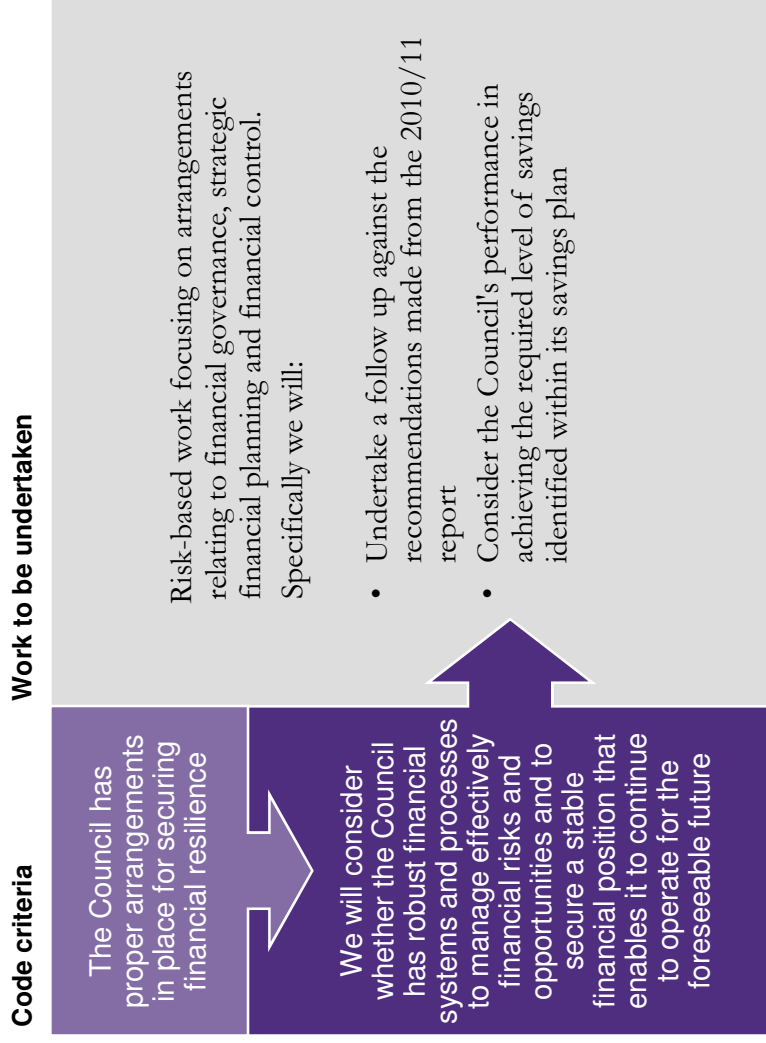
The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2011/12 VfM conclusion

The Value for Money approach for 2011/12 remains the same as the prior year. Our VfM conclusion will be based on two reporting criteria specified by the Audit Commission:

- the Council has proper arrangements in place for securing financial resilience
- the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

The work we'll do to conclude on these criteria is summarised in the following charts:



Value for money audit

Code criteria

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness

We will consider whether the Council is prioritising its resources within tighter budgets

Work to be undertaken

Risk-based work focusing on arrangements for prioritising resources and improving productivity and efficiency.

Specifically we will:

- Consider the outcome of the current reorganisation process by liaising with senior management to assess the extent to which the reorganisation is achieving the economies and efficiencies identified;
- Consider the lessons learned and changes made following the completion of the Royal Albert Memorial Museum (RAMM) project; and
- Follow up the action taken to implement recommendations made in 2010/11.

We will tailor our VfM work to ensure that as well as addressing our high risk areas, it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance for officers and Members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a brief specification for each review outlining the scope, methodology and timing. These will be agreed with officers.

The results of all our local VfM audit work and key messages will be reported in our Report to Those Charged with Governance (ISA 260 report) and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.



Engagement team - key contacts

Your main audit team is based in Bristol and are all public sector specialists.

However, we operate as a national practice, coordinating the work of all our offices to ensure that new ideas, good practice experiences and services are developed and disseminated to all, irrespective of location.



Barrie Morris (CPFA)
Engagement Lead
T 0117 305 7708
E barrie.morris@uk.gt.com

Barrie is the Council's Engagement Lead, bringing his extensive local authority expertise to the Council. Barrie will be a key contact for the Chief Executive, the Director of Finance, other senior Council Officers and the Scrutiny Committee, Resources.

Barrie is responsible for the overall delivery of the audit including the quality of output and, signing the audit reports and conclusion



Julie Masci (ACCA)
Audit Manager
T 02920 347506
E julie.masci@uk.gt.com

Julie is responsible for the audit strategy, planning and liaison with key Council contacts to ensure the smooth running of the audit and the delivery of the overall audit plan.

Julie will review the quality of audit outputs and ensure accuracy of reporting prior to presenting plans and reports to the Council's officers and Members.



Llinos Brown (ACA)
In-charge Accountant
T 0117 305 7754
E llinos.brown@uk.gt.com

Reporting to Julie, Llinos is responsible for the performance of the audit fieldwork and day-to-day liaison with the Council's finance department.

Llinos will be supported by a team of audit assistants



Negat Sultan (CPFA)
IT Audit Manager
T 0116 247 5590
E negat.sultan@uk.gt.com

Negat is responsible for review of the Council's IT systems to complement the financial accounts process.

Audit fee

What is the scale audit fee?

This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2008.

It represents the 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.

How your scale audit fee is calculated

The Audit Commission has published a scale fee for all authorities. This scale fee is based on the 2010/11 fee, which reflected our assessment of risk and complexity, reduced by 5%

Variations to the scale audit fee

Based on a thorough review by the audit team which includes discussions with Council Officers and Members, we tailor our work to reflect local circumstances. This may result in a variation upwards or downwards on the scale audit fee. Any variation to the scale fee must be approved by the Audit Commission, following agreement of the proposed fee with the Council.

2011-12 audit fee

Your external audit fee for 2011/12 is £ 127,139 (£ 133,830 in 2010/11). This is the same as the indicative fee communicated to you in March 2011, and represents a 5% reduction on last year.

The fee will be subject to continuous review and may be revised if significant new audit risks arise during the audit or if we are unable to progress as planned due to the timing or quality of information provided by the Council. In the event that we consider it necessary to revise the Council's audit fee upwards, we will discuss this with the Director of Corporate Services.

A summary of the audit fee is shown in the table below:

Table 2: 2011/12 audit fee

Audit area	Planned fee 2011/12	Actual fee 2010/11
Accounts, including WGA	£ 83,000	£85,075
VfM conclusion	£44,139	£48,755
Total audit fee	£127,139	£133,830
Certification of claims and returns*	£31,000*	£31,000*

* the quoted fee for grant certification work is an estimate only and will be charged at published hourly rates

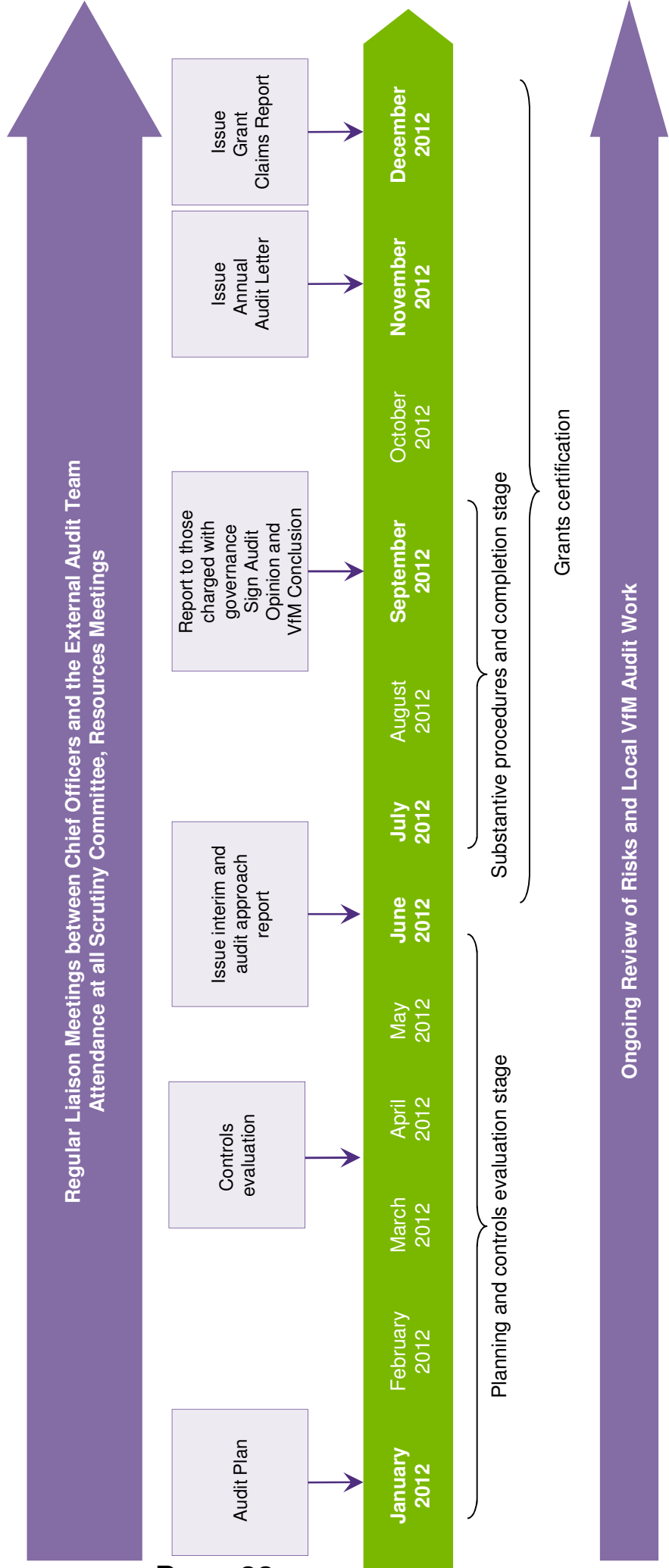
Outputs

Reports will be discussed and agreed with the appropriate officers before being issued to the Scrutiny Committee, Resources.

Reports are addressed to the Scrutiny Committee, Resources and management and are prepared for the sole use of the Council. No responsibility is taken by the auditors to any member or officer in their individual capacity, or to any third party.

Output	Purpose	Issue date
Audit Plan	<ul style="list-style-type: none"> Outline audit approach for the accounts and VFM audits Identify initial high risk areas and our planned response Confirm Plan with Scrutiny Committee, Resources 	January 2012
Interim Report	<ul style="list-style-type: none"> Report the results of the control evaluation of our audit and its impact on our planned audit approach Confirm focus areas for the audit of the accounts based on updated risk assessment Provide certain disclosures to those charged with governance under auditing standards Confirm with Senior Officers and Scrutiny Committee, Resources 	June 2012
Report to those charged with Governance (ISA 260)	<ul style="list-style-type: none"> Highlight key issues arising from the audit and the resolution of these Communication of adjusted and unadjusted audit differences Improvement recommendations resulting from audit procedures 	September 2012
Auditor's Reports	<ul style="list-style-type: none"> Report on Exeter's 2011/12 financial statements Report on Exeter's value for money conclusion 	September 2012
Annual Audit Letter	<ul style="list-style-type: none"> Short summary of the key issues arising from our 2011/12 audit 	November 2012
Grants Claim Certification	<ul style="list-style-type: none"> Highlights key issues arising from our grants certification work Recommendations identified for improvement 	December 2012

Timeline



Appendices

Appendix A Independence and objectivity

We are not aware of any relationships that may affect the independence and objectivity of the audit team, which we are required by auditing and ethical standards to communicate to you.

We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.

Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).

The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.

International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:

- discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client
- confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.

The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Scrutiny Committee, Resources. The auditor reserves the right, however, to communicate directly with the authority on matters which are considered to be of sufficient importance.

The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:

- Appointed auditors should not perform additional work for an audited body (i.e. work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the audit plan as being 'additional work' and charged for separately from the normal audit fee.
- Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
- The Engagement Lead responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years
- The Engagement Lead and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- The Engagement Lead and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.



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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 21 MARCH 2012

AIM PROPERTY MAINTENANCE PROGRESS REPORT 2011/12

1 PURPOSE OF THE REPORT

- 1.1 This is the third quarterly report, covering the period from October to December 2011 (but including updated figures at 13 February 2012). The report details the financial position of the £7.8m programme of reactive and planned property maintenance and refurbishment work agreed for 2011/12. The programme comprises housing and non-housing schemes funded from revenue budgets as approved by Council for the financial year 2011/12. In some cases the programme also includes unspent budgets for schemes rolled forward from 2010/11. Progress on capital funded schemes is reported elsewhere on this agenda. The report provides specific details on significant programme variations.

2 BACKGROUND

- 2.1 The Council approved the following:

	£	
Housing budgets		
(a) Housing Reactive Repairs	4,953,780	
(b) Housing Servicing Contracts	714,900	
(c) Housing Maintenance Works	<u>430,000</u>	£ 6,098,680
Non-housing budgets		
(d) Service Recharges	343,650	
(e) Lease Requirements	55,450	
(f) AIM Priority Programme	225,500	
(g) AIM Reactive Repairs - General	513,540	
(h) AIM Service Contracts	441,980	
(i) AIM Operational Essentials	<u>82,580</u>	£ 1,662,700
Total		<u>£ 7,761,380</u>

- 2.2 The current level of spending in 2011/12 on the budgets identified above indicates a predicted saving of some £30,000 which equates to 0.4% on the overall budget. With regard to housing budgets, overspends in this area have been effectively negated by savings and contingencies. So the saving overall arises solely from non-housing work.

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

HOUSING

2.3 Housing Reactive Repairs generally – combined budget £4,953,780

This budget is split into eight separate budgets in order to better raise and monitor orders and control work and costs. As all these separate provisions are essentially for works of a reactive nature it is difficult to predict the extent or pattern of likely expenditure in the year. However, based on the present rates of spending, overspend of some £200,000 is likely to arise against the budget identified for Empty Properties within this wider Housing Reactive Repairs budget. Nevertheless this overspend will be negated by savings elsewhere within Housing Servicing budgets and by reducing the sum made available as a contribution to housing capital programmes from revenue funds in 2011/12.

NON-HOUSING

2.4 Canal special Works – budget £30,890

This budget is set for larger repair or project works in order to maintain the efficient running of the canal and the canal service. This year, unforeseen additional costs in the order of £15,000 have been sustained in carrying out necessary extensive repairs to lock gates and remedial works due to a sewage overflow. Whilst some of this extra cost can be absorbed by present budget provision some overspend may ultimately result. It is therefore presently projected that a best estimate of overspend in the region of £10,000 is anticipated. Nevertheless this overspend is likely to be compensated by anticipated savings elsewhere in non-housing budgets

2.5 Canal Operational Essential Works – budget £25,170

This budget is set each year to finance works of a minor repair and replacement nature in order to maintain the canal services operated for customers. This year the cost of repairs and other financial demands on the service have raised overspend of some £11,000. Nevertheless, as above, this overspend can be absorbed by anticipated savings elsewhere in non-housing budgets

3 RECOMMENDED

- (1) that the second quarter financial position of the £7.8m programme of reactive and planned property maintenance and refurbishment for 2011/12 as detailed above be noted.

**ACTING ASSISTANT DIRECTOR HOUSING AND CONTRACTS
ASSISTANT DIRECTOR ECONOMY
ASSISTANT DIRECTOR FINANCE**

COMMUNITY & ENVIRONMENT DIRECTORATE

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

None

EXETER CITY COUNCIL
SCRUTINY COMMITTEE - RESOURCES
21 MARCH 2012

RESOURCES SCRUTINY STEWARDSHIP TO 31 DECEMBER 2011

1. PURPOSE OF REPORT

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

2. STEWARDSHIP TO 31 DECEMBER 2011

2.1 The current forecast suggests that net expenditure for this committee will increase from the revised budget by a total of £279,730. This is an increase from that forecast in the last report to this Committee for the second quarter ending September 2011 where an overspend of £127,340 was forecast; the main reason for the increase is the redundancies referred to in 86A7 below. Supplementary budgets of £12,000 are included but the Notional Charges budgets in respect of IAS19 Pension Costs and Capital charges have been deducted to provide the total budget for management accounting purposes.

2.2 The budgets for 2011/12 include a provision for a pay award of £250 to staff under spinal point 24. The current position is that the Local Government Employers have not offered a pay award in the current year which will produce an overall pay saving of about £24,000 for this Committee.

2.3 The main variations by management unit are detailed below:

		£
	2011/2012 REVISED BUDGET	15,646,190
86A1	REVENUE COLLECTION / BENEFITS As a result of the reduction in subsidy received in 2010/11 mainly in respect of Non HRA Rent Allowances, it was originally estimated that there would be a similar reduction in subsidy for 2011/12 resulting in an additional cost of some £388k. Since then, Housing Services have cut back on the use of bed and breakfast accommodation and increased the use of private sector leasing. This has increased the Housing Benefit subsidy rate for 2011/12, resulting in a reduction in the overspend to £156,720 which is a variance of 0.35% on the original budget of £44.7m.	156,720
86A2	ELECTIONS & ELECTORAL REGISTRATION The cost of administering the City Council elections in May increased because of a new requirement to provide increased staffing levels and training.	1,760
86A3	CORPORATE There are expected to be some minor savings in Treasury Management expenses.	(2,330)

86A4	CIVIC CEREMONIALS The retail unit attached to Guildhall has been vacant for most of this year with a subsequent loss of rental income. Fees from civil ceremonies and weddings are not expected to materialise until next year.	27,130
86A5	DEMOCRATIC REPRESENTATION There will be a small overspend on Members' Expenses by the end of the financial year due to the take-up of allowances.	990
86A6	GRANTS/CENTRAL SUPPORT/CONSULTATION The core costs for the corporate use of ordnance survey data has now been transferred to management unit 86B6 IT Services. There is expected to be an underspend in Community Consultations.	(23,050)
86A7	UNAPPORTIONABLE OVERHEADS There is an increase in payments to the pension fund administered by Devon County Council to meet the approved cost of redundancies.	403,490
86A8	CHIEF EXECUTIVE SERVICES Additional pay costs have been incurred to cover for maternity and sickness absences.	12,360
86B1	TREASURY SERVICES An agreed reduction in working hours for some staff and vacancies within the service are expected to result in pay savings.	(16,980)
86B2	INTERNAL AUDIT The sale of CIPFA matrices written by audit staff are not expected to be as high as a consequence of other local authorities reducing their discretionary expenditure.	6,420
86B3	HUMAN RESOURCES An additional temporary staffing resource within Human Resources was approved by Executive, but this has been more than offset by reduced expenditure in the now centralised training budget. Training expenditure has reduced because of the restructure of services, the appointment of Senior Managers and the subsequent determination of their development needs.	(87,600)
86B4	LEGAL SERVICES There is expected to be a small underspend in pay and operational costs coupled with an increase in fee income.	(15,780)
86B5	CORPORATE CUSTOMER SERVICES Vacancies and savings have been made throughout the management unit that will result in an underspend on pay. Reviews of servicing and cleaning and repair and maintenance contracts are expected to produce further savings.	(117,710)

86B6	IT SERVICES There is expected to be a small overspend in pay costs to provide cover for maternity leave. There has been some savings in the cost of administering and maintaining IT systems. More of the work undertaken by IT staff can be capitalised resulting in less of a cost to the revenue services throughout the Council.	(65,690)
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2011/12 EXPECTED FINAL OUTTURN

£15,925,920

3. RECOMMENDATION

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

ASSISTANT DIRECTOR FINANCE

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 2011 TO DECEMBER 2011

ANNUAL BUDGET	£	SUPPLEMENTARY BUDGET	£	NOTIONAL CHARGES***	REVISED BUDGET	CODE	CURRENT OUTTURN FORECAST	£	FORECAST VARIANCE
1,855,670					1,855,670	86A1	REVENUE COLLECTION / BENEFITS	2,012,390	156,720
313,900			3,380		310,520	86A2	ELECTIONS & ELECTORAL REGISTRATION	312,280	1,760
897,020					897,020	86A3	CORPORATE	894,690	(2,330)
243,210			34,280		208,930	86A4	CIVIC CEREMONIALS	236,060	27,130
881,420			310		881,110	86A5	DEMOCRATIC REPRESENTATION	882,100	990
1,001,900		3,000			1,004,900	86A6	GRANTS/CENTRAL SUPPORT/CONSULTATION	981,850	(23,050)
354,830					354,830	86A7	UNAPPORTIONABLE OVERHEADS	758,320	403,490
1,158,600			29,190		1,129,410	86A8	CHIEF EXECUTIVE SERVICES	1,141,770	12,360
0			1,110		(1,110)	86A9	STRATEGIC/COMMUNITY PARTNERSHIPS	(1,110)	0
3,212,710			173,580		3,039,130	86B1	TREASURY SERVICES	3,022,150	(16,980)
198,100			2,930		195,170	86B2	INTERNAL AUDIT	201,590	6,420
940,980			27,710		913,270	86B3	HUMAN RESOURCES	825,670	(87,600)
637,820			8,750		629,070	86B4	LEGAL SERVICES	613,290	(15,780)
2,554,100		9,000	178,860		2,384,240	86B5	CORPORATE CUSTOMER SERVICES	2,266,530	(117,710)
2,151,230			453,820		1,697,410	86B6	IT SERVICES	1,631,720	(65,690)
148,270			1,650		146,620	86B7	DIRECTOR CORPORATE SERVICES OFFICE	146,620	0
<u>16,549,760</u>		<u>12,000</u>	<u>915,570</u>		<u>15,646,190</u>		NET EXPENDITURE BEFORE INTERNAL RECHARGES	<u>15,925,920</u>	<u>279,730</u>
(11,001,810)					(11,001,810)		LESS INTERNAL RECHARGES	(11,001,810)	0
<u>£ 5,547,950</u>		<u>£ 12,000</u>	<u>£ 915,570</u>		<u>£ 4,644,380</u>		NET EXPENDITURE	<u>4,924,110</u>	<u>279,730</u>

*** Includes:

Capital Charges
FRS17 Pension Costs

Transfers to/from Earmarked Reserves

OVERALL FORECAST EXPENDITURE FOR THE YEAR AFTER MOVEMENTS TO/FROM RESERVES 4,924,110

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE – RESOURCES 21 MARCH 2012

EXECUTIVE
3 APRIL 2012

COUNCIL
24 APRIL 2012

CAPITAL MONITORING STATEMENT TO DECEMBER 2011

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 2011/12 Capital Programme, including commitments brought forward from 2010/11, was last reported to Scrutiny Committee - Resources on 23 November 2011. From that report schemes totaling £7.295 million within the 2011/12 capital programme have now been deferred and are included within the 2012/13 and 2013/14 budgets.

Since that meeting the following changes have been incorporated into the programme:

Description	£	Approval/funding
Capital Programme, as at 23 November 2011	23,167,730	
Budget Deferred to 12/13	(7,151,610)	Approved by Executive 6 December 2011
Budget Deferred to 13/14	(143,830)	
Overspends/Underspends	(18,820)	
Canal Basin	(280,580)	Reduction in expected external funding as reported to Executive 22 November 2011
Disabled Facility Grants	41,870	Additional funding from CLG
National Cycle Network	71,470	Contributions from DCC
Children's Play Areas	71,190	New S106 funding for Beacon Avenue
Revised Capital Programme	15,757,420	

4.0 PERFORMANCE

4.1 Projected Outturn

The capital programme for the current financial year is £15,757,420. It is projected that £1.466 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.

4.2 Progress

During the first nine months of the current financial year the Council spent £7,909,890 of the 2011/12 Capital Programme.

4.3 This equates to 50.2% of the revised Capital Programme being spent in the first nine months of 2011/12, compared to £12.264 million (43.7%) being spent in the first nine months of 2010/11.

5.0 VARIANCES AND ACHIEVEMENTS

5.1 The main variances and achievements are as follows:

5.1.1 Community & Environment

Cultural City

- **Play Area Refurbishments (Budget £160,580)**

An extensive refurbishment of Harrington Lane Play Area was completed in early summer 2011, this included the installation of some exciting new play equipment and added to the Multi Use Games Area (MUGA) style goal ends which had been installed on the adjacent tarmac area earlier in the year. This scheme was funded via the Section 106 Agreement Contribution from the

Chancel Lane Development.

Money from the Chancel Lane development has also funded floodlights for the existing MUGA at Pinhoe Station Road.

A refurbishment of Dickens Drive Play Area has been completed and is open and in use. The funding remaining on this site will provide fencing works to make the current kick around area dog free.

Public consultation work is on-going working towards a community led design for the new play space which will be installed as soon as the land is adopted at Sylvan Heights (Crossmead).

A new project has commenced at Beacon Avenue as funding has recently been made available by the developer Persimmon. Play area fencing and gates will be provided during spring 2012, the play equipment will be decided upon later following a public consultation process. The play space is likely to be completed during Autumn 2012.

- **Bromhams Farm Changing Rooms (Budget £14,960)**

Budget spent for 2011/12.

- **Leisure Management Contract (Budget £59,680)**

This budget relates to the old DC Leisure Contract and is now complete.

- **Cowick Barton Changing Rooms – External Paving (£20,000)**

The majority of this budget relates to expenditure on Pinces Gatehouse and the work was carried out in 2010/11. There is therefore a saving on this project this year.

- **Cowick Barton Changing Rooms – External Walls etc (£8,000)**

Work was completed to the pathway at the Ferndale Road play area and this work was completed in 2010/11. There is therefore a saving on this project this year.

Cared for Environment

- **Home Recycling Scheme (Budget £60,000)**

This scheme is now complete for 2011/12.

- **Local Authority Carbon Management Programme (Budget £87,000)**

Heating controls have been fitted at the Corn Exchange and solar panels have been ordered for Belle Isle and are due to be installed.

Progress has slowed down on this project for two reasons. Firstly, the feed-in tariff has been halved by Central Government and the payback periods for the projects are now stated to be much longer than originally anticipated. Secondly, projects haven't been signed off due to the new Assistant Director

post remaining vacant. It is proposed that £48,000 of the budget be carried forward to 2012/13.

- **Improvements to Cemetery Roads & Pathways (Budget £16,090)**

This scheme is now complete for 2011/12.

- **Green Waste Shredders (Budget £36,330)**

This project is now complete.

Excellence in Public Services

- **Vehicle Replacement Programme (Budget £418,110)**

The programme has been spent for 2011/12 and has produced a saving of £40,308 for this financial year.

- **Replacement of Home Call Equipment (Budget £930)**

This project is now complete.

5.1.2 Economy & Development

Cultural City

- **Corn Exchange – Haystack Lantern (Budget £20,860)**

The work on this project is now complete.

Cared For Environment

- **City Centre Enhancements (Budget £140,000)**

The works to Gandy Street are now complete. Northernhay Gate is programmed for completion mid February 2012.

- **Cowick Street Environmental Works (Budget £100,000)**

This project is now planned to start in the Autumn of 2012, therefore the budget is to be carried forward to 2012/13.

Prosperous City

- **Canal Basin and Quayside (Budget £368,410)**

The refurbishment scheme for the Old Electricity Building is substantially completed and a new lease is to be granted shortly. Sutton Harbour schemes have not come forward and both ECC and ECQT are considering alternative delivery possibilities. Devon County Council have confirmed their intention to deliver the new Outdoor Education Centre and work is well advanced to facilitate a start on site early in 2012. Tree planting and seating improvements will be carried out along Haven Banks during the year.

5.1.3 Corporate Services

- **FIMS Replacement Programme (Budget £5,130)**

The Financial Information Management System replacement project is now complete.

- **Environment Health System Upgrade (Budget £4,590)**

This project is now complete and has produced a saving of £4,590.

- **Franking Machine (Budget £16,020)**

The new franking machine has been purchased and this project is now complete.

5.1.4 Housing Revenue Account

Everyone Has a Home

- **Sheltered Accommodation (Budget £143,540)**

This project is now complete.

- **D/PS British Steel Properties (Budget £10,760)**

This project is now complete.

- **Kitchen and Bathroom Replacement Programme (Budget £500,000 and £176,690 respectively)**

The kitchen and bathroom replacements have been subject to various delays over recent months. Due to these delays, it is proposed to carry forward a further £70,000 for the Kitchen Replacement Programme and £30,000 for the Bathroom Replacement Programme to 2012/13.

- **Acquisition of 16 Chanter Court (Budget £0)**

An overspend of £75,000 is shown to reflect the estimated purchase price of buying this property as approved by Executive on 24 January 2012.

6.0 RECOMMENDED

- 6.1 It is recommended that Scrutiny Resources Committee notes and Executive recommend that the Council approve the current position in respect of the annual capital programme.

ASSISTANT DIRECTOR FINANCE

CORPORATE SERVICES DIRECTORATE

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

Background papers used in compiling this report: None

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APPENDIX 1

2011/12
CAPITAL MONITORING TO 31 DECEMBER 2011

	2011/12 Capital Programme	2011/12 Spend to 31 Dec	2011/12 Forecast Spend	2011/12 Budget to be Carried Forward to Future Years	2011/12 Programme Variances Under ()
	£	£	£	£	£
COMMUNITY & ENVIRONMENT					
CULTURAL CITY					
Playing Fields General Improvements	3,740	1,126	3,740	0	0
Bromhams Farm Changing Rooms	14,960	14,959	14,960	0	0
Play Area Refurbishments	160,580	60,286	104,580	56,000	0
Sports Facilities Refurbishment	49,790	19,547	49,790	0	0
Parks Improvements	210,000	184,672	210,000	0	0
Contribution to RAMM Re HLF Parks Bid	191,800	183,829	191,800	0	0
Leisure Management Contract	59,680	59,626	59,680	0	0
Exwick Community Centre	20,780	0	20,780	0	0
RAMM Redevelopment	1,655,610	1,734,576	1,655,610	0	0
RAMM Off Site Store	40,740	0	40,740	0	0
Cowick Barton Changing Rooms - External Paving	20,000	1,037	1,040	(18,960)	
Cowick Barton Changing Rooms - External Walls etc	8,000	190	190	(7,810)	
Neighbourhood Parks & Local Open Spaces	60,000	873	60,000	0	0
Allotments - Toilet Replacement	22,500	0	22,500	0	0

APPENDIX 1

2011/12
CAPITAL MONITORING TO 31 DECEMBER 2011

	2011/12 Capital Programme	2011/12 Spend to 31 Dec	2011/12 Forecast Spend	2011/12 Budget to be Carried Forward to Future Years	2011/12 Programme Variances Under ()
	£	£	£	£	£
CARED FOR ENVIRONMENT					
Home Recycling Scheme	60,000	60,000	60,000	0	0
Public Toilet Refurbishment	990	0	0	990	0
Local Authority Carbon Management Programme	87,000	38,602	39,000	48,000	0
Improvements to Cemetery Roads & Pathways	16,090	16,085	16,090	0	0
Cemeteries & Churches Storage Improvements	6,970	475	6,970	0	0
Midi Recycling Banks	10,000	0	10,000	0	0
Upgrade of Turf Sewage Treatment Plant	9,650	5,471	9,650	0	0
General Open Space Improvements	8,330	6,211	8,330	0	0
Green Waste Shredders	36,330	36,327	36,327	0	(3)
EXCELLENCE IN PUBLIC SERVICES					
Vehicle Replacement Programme	418,110	377,802	377,802	0	(40,308)
Replacement of Homecall Equipment	930	930	930	0	0
New Technology for Cleansing	108,040	57,922	108,040	0	0
Belle Isle Depot - Secure Equipment Storage	125,000	84,686	125,000	0	0
HEALTHY & ACTIVE PEOPLE					
Disabled Facility Grants	363,200	261,224	363,200	0	0

APPENDIX 1

2011/12
CAPITAL MONITORING TO 31 DECEMBER 2011

	2011/12 Capital Programme	2011/12 Spend to 31 Dec	2011/12 Forecast Spend	2011/12 Budget to be Carried Forward to Future Years	2011/12 Programme Variances Under ()
	£	£	£	£	£
EVERYONE HAS A HOME					
Warm Up Exeter/PLEA Scheme	265,540	30,000	150,000	115,540	0
Renovation Grants	131,780	5,157	131,780		0
Wessex Loan Scheme	737,120	224,481	737,120		0
Glencoe Capital Works	15,000	10,398	15,000		0
St Loyes Design Fees	120,290	113,074	120,290		0
Private Sector Renewal Scheme	300,000	96,705	300,000		0
Social Housing Grants	270,190	43,800	270,190		0
Rennes House	360	360	360		0
Whipton Methodist Church	176,750	176,750	176,750		0
Bennett Square	1,840	1,840	1,840		0
St Paul's Church PC	100,000	0	100,000		0
Laings	25,000	0	25,000		0
22 St Davids Hill Conversion	50,000	0	50,000		0
Hennis Project St Sidwells	8,080	0	8,080		0
Other Temp Accom Improvement	25,000	0	25,000		0
Temporary Accom Purchase	420,000	0	420,000		0
Wheelchair Homes in RNSD Depot	100,000	0	100,000		0
Sprinklers	51,750	0	51,750		0
Sovereign Infill - Shakespeare Road	187,500	0	187,500		0
Sovereign Infill - Leypark Road	67,500	0	67,500		0
COB Phase 3 Fees	35,300	0	35,300		0
COB Phase 3 - St Andrews Road	62,500	18,617	62,500		0
COMMUNITY & ENVIRONMENT TOTAL	6,920,320	3,927,638	6,632,709	220,530	(67,081)

APPENDIX 1

2011/12
CAPITAL MONITORING TO 31 DECEMBER 2011

	2011/12 Capital Programme	2011/12 Spend to 31 Dec	2011/12 Forecast Spend	2011/12 Budget to be Carried Forward to Future Years	2011/12 Programme Variances Under ()
	£	£	£	£	£
ECONOMY & DEVELOPMENT					
ACCESSIBLE CITY					
National Cycle Network	102,830	60,021	102,830		0
Signage / Pedestrian Interpretation	31,600	0	0	31,600	0
King William Street Car Park Refurb Stage 1	23,300	23,085	23,300		0
King William Street Car Park Refurb Stage 2	25,000	0	25,000		0
CULTURAL CITY					
18 North Street Panelling	2,720	750	2,720		0
Corn Exchange Enhancements	7,550	2,441	7,550		0
Corn Exchange - Haystack Lantern	20,860	20,865	20,865		5
Floodlighting	1,120	0	0	1,120	0
St Katherine's Priory Re-Roofing	47,000	0	0	47,000	0
CARED FOR ENVIRONMENT					
City Centre Enhancements	140,000	102,642	140,000		0
Mincinglake/Northbrook Study	63,730	3,851	63,730		0
Ibstock Environmental Improvements	3,240	0	3,240		0
Planting Improvements in Riverside Valley Park	14,250	0	14,250		0
Cowick Street Environmental Works	100,000	50	50	99,950	0

APPENDIX 1

2011/12
CAPITAL MONITORING TO 31 DECEMBER 2011

	2011/12 Capital Programme	2011/12 Spend to 31 Dec	2011/12 Forecast Spend	2011/12 Budget to be Carried Forward to Future Years	2011/12 Programme Variances Under ()
	£	£	£	£	£
EXCELLENCE IN PUBLIC SERVICES					
Verney House	45,000	0	45,000		0
LEARNING CITY					
Improvements to Quay House Visitor Centre	2,010	544	2,010		0
PROSPEROUS CITY					
Basin/Quayside Redevelopment	368,410	14,482	368,410		0
Science Park	761,730	25,680	761,730		0
137 Cowick Street	130,710	11,114	130,710		0
SAFE CITY					
Security Measures for Riverside Valley Park	2,570	45	45	2,525	0
ECONOMY & DEVELOPMENT TOTAL	1,893,630	265,570	1,711,440	182,195	5

APPENDIX 1

2011/12
CAPITAL MONITORING TO 31 DECEMBER 2011

	2011/12 Capital Programme	2011/12 Spend to 31 Dec	2011/12 Forecast Spend	2011/12 Budget to be Carried Forward to Future Years	2011/12 Programme Variances Under ()
	£	£	£	£	£
CORPORATE SERVICES					
ACCESSIBLE CITY					
Equal Opportunities Improvements	9,230	6,702	9,230		0
ELECTRONIC CITY					
Electronic Document Management	8,330	0	4,000	4,330	0
Server and Storage Strategy	40,000	11,227	40,000		0
FIMS Replacement	5,130	5,130	5,130		0
Environmental Health System Upgrade	4,590	0	0		(4,590)
Security Compliance for GCSx & PCI DSS	48,000	0	30,000	18,000	0
Authentication Module	31,000	0	31,000		0
IT Development Time	37,500	27,306	37,500		0
PC & Mobile Devices Replacement Programme	104,100	803	40,000	64,100	0
Corporate Network Infrastructure	30,000	6,063	30,000		0
GIS Strategy	60,000	52,085	60,000		0
Intranet & Internet	3,000	2,070	3,000		0
Benefits & Council Tax On-Line	(5,800)	(5,800)	(5,800)		0
EXCELLENCE IN PUBLIC SERVICES					
Frinking Machine	16,020	16,020	16,020		0
Capitalised Staff Costs	261,000	0	261,000		0
CORPORATE SERVICES TOTAL	652,100	121,606	561,080	86,430	(4,590)

APPENDIX 1

2011/12
CAPITAL MONITORING TO 31 DECEMBER 2011

	2011/12 Capital Programme	2011/12 Spend to 31 Dec	2011/12 Forecast Spend	2011/12 Budget to be Carried Forward to Future Years	2011/12 Programme Variances Under ()
	£	£	£	£	£
HRA CAPITAL					
EVERYONE HAS A HOME					
Sheltered Accommodation	143,540	143,082	143,540		0
Adaptations	435,000	376,288	435,000		0
D/PS British Steel Properties	10,760	10,754	10,754		(6)
Rendering of Council Dwellings	260,000	253,973	280,000		20,000
MRA Fees	364,270	0	364,270		0
Communal Door Entry System	10,000	2,419	10,000		0
Environmental Improvements - General	50,000	43,295	50,000		0
Programmed Re-roofing	300,000	203,025	300,000		0
Energy Conservation	25,000	15,651	25,000		0
Asbestos Survey	100,000	89,244	100,000		0
Council House Extensions	35,700	29,254	35,700		0
Plastic Windows & Doors	20,000	4,654	20,000		0
Kitchen Replacements	500,000	362,564	430,000	70,000	0
Asbestos Removal Works	250,000	182,122	250,000		0
Bathroom Replacements - Programmed	176,690	113,884	146,690	30,000	0
Other Works	259,250	125,264	200,000	59,250	0
Repointing	50,000	22,029	25,000		(25,000)
Fire Prevention Work	402,420	78,497	250,000	152,420	0
Communal Areas	200,000	0	0	200,000	0
Structural Repairs	50,000	0	25,000	25,000	0
Fire Alarms at Sheltered Accommodation	100,000	35,025	60,000	40,000	0
Replacement Concrete Canopies	250,000	0	0	250,000	0
Rennes House Heating Replacement	200,000	203,702	206,702		6,702
472 Topsham Road Adaptations	65,000	0	65,000		0
Acquisition of 16 Chanter Court	0	0	75,000		75,000
Programmed Electrical Re-wiring	530,050	202,634	530,050		0
Central Heating Programme	840,450	566,335	690,450	150,000	0
HOUSING REVENUE ACCOUNT TOTAL	5,628,130	3,063,695	4,728,156	976,670	76,696

APPENDIX 1

**2011/12
CAPITAL MONITORING TO 31 DECEMBER 2011**

	2011/12 Capital Programme	2011/12 Spend to 31 Dec	2011/12 Forecast Spend	2011/12 Budget to be Carried Forward to Future Years	2011/12 Programme Variances Under ()
	£	£	£	£	£
COUNCIL HOUSEBUILDING PROGRAMME					
COUNCIL'S OWN BUILD					
Merlin Crescent	663,240	531,382	663,240	0	0
COUNCIL HOUSEBUILDING TOTAL	663,240	531,382	663,240	0	0
CAPITAL AND PROJECT EXPENDITURE TOTAL	15,757,420	7,909,890	14,296,625	1,465,825	5,030

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 21 MARCH 2012

EXECUTIVE
3 APRIL 2012

COUNCIL
24 APRIL 2012

OVERVIEW OF GENERAL FUND REVENUE BUDGET 2011/12

1. PURPOSE OF THE REPORT

- 1.1 To advise Members of the overall projected financial position of the General Fund Revenue Budget and Housing Revenue Account after nine months, for the 2011/12 financial year.

2. REVENUE POSITION – EXECUTIVE SUMMARY

FUND	Latest Approved Budget	Stewardship Variance December 2011	Outturn Forecast 2011/12
	£	£	£
General Fund	14,173,620	22,701	14,196,321
HRA*	499,390	(£1,665,990)	(£1,166,600)
* (surplus) / deficit			

GENERAL FUND – Appendix A

- 2.1 The Service Committee budgets shows a forecast overspend of £101,440 (0.78%) against a revised Service Committee Net Expenditure budget of £13,003,620 and an overall overspend of £22,701 against General Fund Expenditure including investment interest and funds set aside for the repayment of debt.
- 2.2 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 **Scrutiny Committee Community – (An underspend of £201,300)**

There will be a saving on staff costs in Environmental Protection as a result of a vacancy which will not be filled. This has caused an estimated underspend of £66,610.

Cleansing services is anticipated to overspend by £200,000 as a result of the increased cost of fleet and additional labour costs associated with the closure of the waste transfer station.

Within the Museums Service there will be a saving on staff costs as a result of some grades being lower than anticipated in the estimates following the Job Evaluation exercise, although in some cases the reduction will not be fully realised in the current year due to pay protection. This has been partially offset by costs relating to marketing, legal advice and insurance. The anticipated saving is £28,170.

Income from the sale of recyclates is expected to exceed the estimates, and the cost of freight is expected to be less than estimated. It is estimated that the total underspend will be £390,000.

A number of issues have arisen in respect of Advisory Services in General Fund Housing, including an increase in cleaning, repairs & maintenance and a reduction in grant from Devon CC for the Supporting People contract. This has caused a projected overspend of £130,800, which has been partially offset by an anticipated underspend in Private Sector Housing of £76,440.

Other variances within the Committee result in a net overspend of £29,120, leaving an anticipated total underspend for the Committee of £201,300.

2.4 Scrutiny Committee Economy – (An overspend of £20,250)

Car parking income has recovered from the Summer and is now projected to be only 0.1% below budget. Whilst there are some savings, the anticipated overspend is £45,850.

There is an anticipated overspend in respect of the closure of the Archaeological Field Unit. The cost, which was reported to the Executive in March 2011, has reduced to £196,950.

Additional income is expected in respect of livestock sales, commission and rental income, contributing to an estimated underspend of £115,590.

Other variances within the Committee result in a net underspend of £106,960, leaving an anticipated total overspend for the Committee of £20,250.

2.5 Scrutiny Committee Resources – (An overspend of £279,730)

It is anticipated that there will be a reduction in the amount of Housing Benefit Subsidy received, mainly in respect of non HRA rent allowances, however this has been partially offset by an increase in the use of private sector landlords as opposed to Bed & Breakfast, which has increased the subsidy rate. This has resulted in an estimated overspend of £156,720 (0.35%) against the £44.7 million budget.

A reduction in staffing and maintenance work in Corporate Customer Services has resulted in an underspend of £117,710.

Reduced expenditure on training across the Council has resulted in an estimated underspend of £87,600.

There is an increase in payments to the pension fund administered by Devon County Council to meet the approved cost of redundancies resulting in an overspend of £403,490.

Other variances within the Committee result in a net underspend of £75,170, leaving an anticipated total overspend for the Committee of £279,730.

3. OTHER FINANCIAL VARIATIONS

3.1 There is a net transfer from Earmarked Reserves of £123,860, an increase of £4,860 from budget.

3.2 The Council has been awarded £389,165 in the form of the New Homes Bonus. This is an unringfenced grant that the Council may use as it chooses.

3.3 After the completion of the final accounts for 2010/11, the provision for the repayment of debt has been calculated and is £118,739 lower than the estimate. It is anticipated that net interest paid will be £10,000 higher than anticipated owing to a credit downgrade of the two banks which the Council holds call accounts. The Council is now using the Government's Debt Management Office at a much lower interest rate, but with the security of a triple AAA rated account.

3.4 The overall net transfer to the General Fund Working Balance is estimated to be £451,754 at 31 March 2012 after accounting for July approved supplementary budgets of £147,270.

4. HOUSING REVENUE ACCOUNT (HRA) (APPENDIX B)

4.1 During this period the total budget variances indicate that there will be a net surplus of £1,166,600 which will be transferred to the HRA working balance at 31 March 2012. This represents an increase of £1,665,990 compared to the budgeted reduction to the working balance of £499,390. It is estimated that the working balance will stand at £5,082,541 at 31 March 2012.

4.2 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
- A range of other services such as room rental.

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

5.2 An aged debt analysis of the Council's sundry debts is shown in the table below. Debt over 30 days old has decreased over the year from £2.262m to £1.875m – a reduction of £387,000. Debts over 5 years old relate in the main to two services, Housing Benefit overpayments (£150,947) and Housing (£16,360).

Age of Debt	December 2010	December 2011
Up to 29 days (current)	£1,305,734	£660,408
30 days – 1 Year	£1,112,679	£968,518
1 – 2 years	£340,405	£366,759
2 – 3 years	£270,532	£187,978
3 – 4 years	£160,411	£94,244
4 – 5 years	£76,055	£84,878
5 + years	£301,442	£172,577
Total	£3,567,258	£2,535,362

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

	Outstanding Debt – 30 December 2011
	£
▪ Commercial rent	606,128
▪ Markets & Halls	23,173
▪ Trade waste	88,853
▪ Service charge and ground rent for leasehold flat owners	75,055
▪ Home call alarms	4,774
▪ Housing benefit overpayments*	1,068,664
▪ Recycling	58,126
▪ Leisure	76,026
▪ AFU	104,656
▪ Economy & Tourism	52,475
▪ HRA	80,929
▪ General Fund Housing	83,804
▪ River & Canal	30,036

- 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 2.4% of the total annual benefits paid and more than 90% of these amounts are usually recovered.

6. DEBT WRITE-OFFS

6.1 The following amounts have been written-off during the first nine months of 2011/12:

• Council Tax	£112,954
• Business Rates*	£ 0
• Sundry Debt	£205,783
• Housing Rents	£ 7,102

* Business Rates write-offs are considered during March 2012.

7. CREDITOR PAYMENTS PERFORMANCE

7.1 During the first nine months of 2011/12, the percentage of invoices paid within 30 days was 97.0%, which is marginally higher than the six months performance of 96.6%.

8. CONCLUSION

8.1 The forecast increase in Service Committee net expenditure for 2011/12 totals £101,440 including the supplementary budgets of £147,270. This together with transfers from Earmarked Reserves, net interest paid, the New Homes Bonus and provision for the repayment of debt will result in a transfer of £451,754 to the General Fund Working Balance.

8.2 The forecast General Fund Working Balance at 31 March 2012 is £4,644,651 and equates to 33% of the General Fund net expenditure.

8.3 It is estimated that the HRA working balance will be £5,082,541 at 31 March 2012.

8.4 The creditors' payment performance has remained steady and is currently 97.0%.

9. RECOMMENDATION

9.1 That Scrutiny Resources Committee notes and Executive recommend that the Council approve:

- The General Fund forecast financial position for the 2011/12 financial year
- The HRA forecast financial position for 2011/12 financial year
- The outstanding Sundry Debt position as at December 2011
- The creditors' payments performance

ASSISTANT DIRECTOR FINANCE

CORPORATE SERVICES DIRECTORATE

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

Background papers used in compiling the report:

None

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APPENDIX A

EXETER CITY COUNCIL
2011/12 REVENUE ESTIMATES - SUMMARY
as at 31 December 2011

	Annual Budget £	Supplementary Budgets £	Revised Annual Budget £	Year End Forecast £	Variance to Budget £
SCRUTINY - COMMUNITY	12,923,050	10,100	12,933,150	12,731,850	(201,300)
SCRUTINY - ECONOMY	(2,256,560)	125,170	(2,131,390)	(2,111,140)	20,250
SCRUTINY - RESOURCES	5,547,950	12,000	5,559,950	5,839,680	279,730
less Notional capital charges	(3,024,690)		(3,024,690)	(3,024,690)	0
FRS17 Pension Adjustment	(333,400)		(333,400)	(330,640)	2,760
Service Committee Net Expenditure	12,856,350	147,270	13,003,620	13,105,060	101,440
Net Interest	100,000		100,000	110,000	10,000
Minimum Revenue Provision	1,070,000		1,070,000	951,261	(118,739)
Revenue Contribution to Capital	0		0	30,000	30,000
General Fund Expenditure	14,026,350	147,270	14,173,620	14,196,321	22,701
Transfer To/From(-) Working Balance	227,700	(147,270)	80,430	451,754	371,324
Transfer To/From(-) Earmarked Reserves	(119,000)		(119,000)	(123,860)	(4,860)
General Fund Net Expenditure	14,135,050	0	14,135,050	14,524,215	389,165
Formula Grant	(9,279,790)		(9,279,790)	(9,279,790)	0
Council Tax Freeze Grant	(118,456)		(118,456)	(118,456)	0
New Homes Bonus	0		0	(389,165)	(389,165)
Council Tax Net Expenditure	4,736,804	0	4,736,804	4,736,804	0

Working Balance March 2011

£ 4,192,897

£ 4,644,651

March 2012

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APPENDIX B

HOUSING REVENUE ACCOUNT - SUMMARY
2011/12

as at 31 December 2011

Code	Approved Annual Budget	Current Outturn Forecast	Variance To Budget
	£	£	£
85A1 Management	2,865,390	2,758,540	(106,850)
85A3 Sundry Lands Maintenance	266,190	273,190	7,000
85A4 Repairs Fund Contribution	9,324,720	8,082,730	(1,241,990)
85A6 Capital Charges	0	0	0
85A8 Rents	(16,117,210)	(16,532,210)	(415,000)
85B1 Government Subsidy	4,284,210	4,297,060	12,850
85B2 Interest	(123,910)	(45,910)	78,000
85B4 Variance in Working Balance	(499,390)	1,166,600	1,665,990
Net Expenditure	0	0	0
85B5 Council Own Build	0	0	0
Working Balance	1 April 2011	31 March 2012	£ 5,082,541
	£ 3,915,941		

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 21 MARCH 2012

EXECUTIVE
3 APRIL 2012

CORPORATE GOVERNANCE RISK REGISTER ANNUAL REVIEW 2012

1. PURPOSE OF THE REPORT

- 1.1 To update 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 32 pages, Councillors are able to view the register that was agreed by this Committee on 21 November 2011 on the Council's webpage
<http://www.exeter.gov.uk/CHttpHandler.ashx?id=6402&p=0>
- 3.2 The Risk Management Group, and the assistant directors and corporate managers 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 six new risks and a risk being reduced as follows:

3. Social

- **Application to register village green** – Low risk - New – should the Exhibition Way succeed then it will prevent the use of 3.3 hectares of Council-owned employment land, the delivery of potential Council-owned housing, and the provision of transportation for 600 homes (please see Appendix 1 for details)

8. Financial

- **Assets of community value** – Medium risk - New – although the legislation is in its early stages, potential risks have been identified (please see Appendix 1 for details)

8. Financial

- **Planning appeals** – reduced from medium to Low risk – as changes have been made to procedures to mitigate the risk of costs being awarded against the Council

8. Financial

- **EU financial sanctions** – Low risk - New – there is a risk that councils become financially liable for breaches of EU law and thus incurring significant fines (please see Appendix 1 for details)

8. Financial

- **New homes bonus** – Low risk - New – there is a risk that receipts of monies will be less than anticipated (please see Appendix 1 for details)

10. Partnerships/contractual

- **Leisure management contract** – Low risk - New – there are risks should the new contractor fail or not perform as required (please see Appendix 1 for details)

11. Competitive

- **Community right to challenge** – Medium risk - New – although the legislation is in its early stages, potential risks have been identified (please see Appendix 1 for details)

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 prior to this meeting to ensure the entries are still correct

4. RISK MANAGEMENT PROGRESS

4.1 The risk management policy has been updated to reflect the new senior management structure and is attached at Appendix 2 for consideration and approval by this Committee

5. RECOMMENDATIONS

That the Scrutiny Committee - Resources:

5.1 reviews the updated Corporate Risk Register

5.2 approves submission of the annual corporate risk register to the Executive

5.2 approves submission of the revised risk management policy 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 Risks & benefits	Inherent Risk (impact x likelihood)			Residual Risk (impact x likelihood) & Risk Priority			What needs to be done to control risks	Target date(s)	Responsible officer/s	Strat Obj ref	Change			
	I	L	Tot	I	L	Tot						H	M	L
	1	2	2	1	1	1						L	<ul style="list-style-type: none"> Contested the current application Specialist legal advice & representation arranged 	<ul style="list-style-type: none"> Awaiting inquiry date for current application Ongoing potential for further applicat'ns
3. Social 3. Application to register village green a) Risks & threats: <ul style="list-style-type: none"> Current application succeeds Application succeeds in respect of another site Consequences: <ul style="list-style-type: none"> Prevention of delivering Exhibition Way link, 3.3ha of Council-owned employment land & adequate transport provision for 600 homes Prevention of delivering Council-owned potential housing sites 														

10. Assets of community value: a) Risks & threats:	Inherent Risk (impact x likelihood)			Residual Risk (impact x likelihood) & Risk Priority			What needs to be done to control risks	Target date(s)	Responsible officer/s	Strat Obj ref	Change			
	I	L	Tot	I	L	Tot						H	M	L
	2	4	8	2	4	8						M	<ul style="list-style-type: none"> Monitor progress of primary & secondary legislation and guidance 	<ul style="list-style-type: none"> Awaiting Regs
8. Financial 10. Assets of community value: a) Risks & threats: <ul style="list-style-type: none"> High public expectations Compensation liability to owners Consequences: <ul style="list-style-type: none"> Council seen as failing to protect local assets Financial loss b) Benefits &														

opportunities: • Council seen protecting assets where community groups succeed																				
17. Planning appeals a) Risks & threats: • Significant award of costs against the Council Consequence: • adverse effect on the Council's budget • inability to meet targets & standards	4	4	16	4	4	1	4	L	• Officers advise Members if potential risk at Planning Committee • Treatment of telecom applications amended following award • Core strategy adopted to secure housing supply	• Active monitoring of officer reports & appeals by Development Manager & Planning Solicitor • Involvement of members in any decisions to refuse • Proceed to adoption of community infrastructure levy as soon as possible	• Ongoing • Ongoing • Ongoing	AD City Development	7 8	↕						
23. EU financial sanctions: a) Risks & threats: • Council financially liable for breach of EU law Consequences: • Significant fines	4	2	8	4	1	4	L	• LGA worked to secure safeguards, including parliamentary scrutiny on a case-by-case basis	• Raise awareness among managers of potential liability • More scrutiny of new EU legislation by & on behalf of local authorities	• Awaiting Regs	SMT	6 7	New							
25. New homes bonus: a) Risks & threats: • Receipts less than anticipated Consequences: • Funding shortfall for infrastructure	3	1	3	3	1	3	L	• Monitor likely amounts & corresponding reduction in formula grant • Avoid committing funds until amounts are certain	•	•	AD City Development AD Finance	1 2 3	New							

10. Partnerships/contractual																					
5. Leisure management contract a) Risks & threats: • Contractor goes into liquidation • Contract terminated due to poor performance Consequences: • leisure facilities close	2	2	4	2	1	2	L	• Full assessment of procurement submission & method statements undertaken • Assessed company's financial credit rating • Regular monitoring of company's performance & financial accounts	• Continue monitoring company's performance financial accounts • All sites to achieve Quest accreditation	• Ongoing • Mar 12	Leisure Facilities Manager AD Finance AD Housing & Contracts		New								

• operating costs incurred																					
11. Competitive																					
2. Community right to challenge		2		3		6		2		3		6		2		3		6		New	
a) Risks & threats: <ul style="list-style-type: none"> • Transfer of all or part of a service Consequences: <ul style="list-style-type: none"> • increased overheads • staff redundancies b) Benefits & opportunities: <ul style="list-style-type: none"> • efficiency savings • innovative service delivery • local involvement in service provision 		• Monitor progress of primary & secondary legislation & guidance										<ul style="list-style-type: none"> • Prepare early schedule of relevant services • Produce detailed guidance & criteria for assessing proposals • Consider periods for expressions of interest & other procedural timescales • Construct robust governance arrangements 		<ul style="list-style-type: none"> • Apr or Oct 2012, depending on Regs 		AD Housing & Contracts Corp Manag'r Policy All ADs		2 4 5			

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EXETER CITY COUNCIL**Risk Management Policy****1. Introduction**

1.1 Exeter City Council is committed to the effective management of risk at every level within the Council and to providing:

- a safe environment for its employees and customers
- safe working arrangements for employees
- training to enable its employees to undertake their work effectively, efficiently and safely.

1.2 The purpose of this Risk Management Policy is to state the Council's risk management objectives, approach, responsibilities and procedures.

2 Objectives

2.1 The purpose of risk management is to:

- preserve and protect the Council's assets, reputation and staff
- promote Corporate Governance by integrating risk management and internal control
- promote a risk aware culture in order to avoid unnecessary liabilities and costs, but to encourage the taking of calculated risks in pursuit of opportunities that benefit the Council
- enhance and protect the local environment
- improve business performance.

3 Risk management approach

3.1 Aim

To ensure it is effective, risk management needs to be aligned with corporate aims, objectives and priorities. The Council's approach to embedding risk management is to create a culture that spreads best practice, identifies and communicates lessons learnt from both internal and external experiences, and using appropriate expertise.

Risk management has to be proactive to ensure that corporate and operational risks are:

- identified
- assessed by considering the impacts and likelihoods of their occurrence
- effectively managed by identifying suitable controls and countermeasures, and assessing the cost effectiveness of the mitigating actions proposed.

Effective risk management anticipates and avoid risks rather than dealing with the consequences of events happening. However, not all risks can be managed, particularly those that are caused by external factors over which the Council has no control (e.g. severe weather). Key services and Mission Critical Activities are therefore required to develop Business Continuity Plans in order to reduce the impact should a major event occur.

3.2 Risk appetite and tolerance

Calculated controlled risks, such as accepting new opportunities or using innovative approaches for the benefit of the Council, may be taken providing the risk exposure is within the Council's 'risk tolerance' levels, these are defined as:

- 3.2.1 acceptable risks – the risks associated with any proposed actions and decisions need to be clearly identified, evaluated and managed to ensure that risk exposure is acceptable. Particular care is needed in considering actions that could:
- have an adverse effect on the Council's reputation and/or performance
 - undermine the independent and objective review of activities
 - result in censure or fines being imposed by regulatory bodies
 - result in financial loss

Any threat or opportunity that could have a significant impact on the Council or its services must be closely examined, and all risks clearly evaluated and referred to the appropriate Strategic Director. Where there is both a significant potential impact and a high likelihood of occurrence, then the Strategic Director must report the risk to the SMT.

- 3.2.2 prohibited risks – where risks could result in physical harm; non-compliance with legislation or Government regulations; or non-compliance with the Council's policies, rules and procedures, etc., then these risks are not acceptable. Therefore, any opportunity or innovative approach that could result in such outcomes must not be pursued, and must be reported to the appropriate Strategic Director accordingly.

3.3 Risk treatment

There are four basic ways of responding to risk:

a) *avoidance* – deciding not to continue or proceed with the activity in view of the level of risks involved, wherever possible. (Note: statutory requirements cannot be avoided)

b) *transfer* – which involves another party bearing or sharing the risk, a typical example is the use of insurance. (Note: ultimate responsibility to undertake statutory requirements remains with the Council even if third party provision is engaged)

c) *control* – by ensuring existing controls are effective by periodic review and testing, and implementing additional controls where considered necessary

d) *acceptance* – certain risks cannot be adequately treated by either avoidance, transfer or control. In such cases, there is no alternative but for the Council to accept the residual ('remaining') risks concerned. Details of how these risks and their possible effects are to be managed must be recorded in the service's (and where appropriate Corporate) Risk Register, and subject to regular review.

3.4 Framework

The Council maintains a Corporate Risk Register (CRR) that details the:

- hazards (events) that may impact upon the Council and its services
- possible risks and consequences, both negative (risks and threats) and positive (opportunities) that could happen should the hazards occur
- inherent (i.e. before treatment) risk scores, between 1 and 4, of the potential impact and likelihood of the hazards occurring on the basis that there is no mitigation in place
- controls and countermeasures that are in place in order to mitigate the risks
- residual (i.e. after treatment) scores, between 1 and 4, of the potential impact and likelihood of the hazard occurring taking into account the mitigation in place
- further actions planned to reduce the risks, the timescales and responsible persons

4 Responsibilities and procedures

General – to achieve effective Enterprise Risk Management, risk management must be embedded from the very top of the Council right down to each individual unit, service, employee and Councillor.

- 4.1 All Council employees and Councillors are responsible for ensuring there are robust and fit-for-purpose systems of internal control and risk management in place; and they are aware of the risks:
- they are empowered to take
 - that must be avoided
 - that must be reported upwards
- 4.2 The Executive - is responsible for considering and approving the Risk Management Policy.
- 4.3 The Leader of the Council - is responsible for acting as the Lead Councillor for risk management
- 4.4 Resources Scrutiny Committee – is responsible for:
- monitoring the effectiveness of risk management throughout the Council and progress made against the CRR target for actions dates
 - considering the CRR and recommending its approval to the Executive
- 4.5 All Scrutiny Committees – are responsible for monitoring the effectiveness of risk management for the services that each committee is responsible for scrutinising the progress made against the targets and dates for the agreed actions
- 4.6 SMT - is responsible for:
- approving the risk management approach
 - affirming and supporting the work of risk management throughout the Council which is an important part of the Council's Corporate Governance arrangements
 - monitoring half-yearly each service's RM progress, achievements regarding target dates, etc. and supporting the corporate risk management process
 - reporting all new and amended risks to the Corporate Manager Policy for inclusion onto the CRR and for ensuring they are linked to the budget planning process
- 4.7 Assistant Directors and Corporate Managers – are responsible for:
- ensuring that all employees within their service understand and comply with the risk management policy and procedures
 - identifying, evaluating and managing operational risks and reporting any possible corporate risks to their Strategic Director and the SMT for consideration
 - ensuring that risk registers are established for their services and regularly reviewed to ensure that risks are adequately monitored and managed
- 4.8 Risk Management Group (RMG) - is responsible for:
- monitoring the Council's risk management process
 - updating and publishing the CRR on the Council's Internet webpage
 - reviewing the Council's CRR, seeking progress reports regarding completion of intended action (i.e. action target dates) for reporting to Scrutiny
 - assessing new and amended risks for clarity and linkages to capital and revenue bids
 - assessing the CRR to ensure that it is a 'living document' and agreeing the CRR for submission to Scrutiny Committee
 - referring H&S issues, etc, to the KPG for consideration and monitoring progress
 - acting as a Group and individually as RM champions within the Council

- 4.9 Key Partners' Group (KPG) - is responsible for:
- preparing an annual H&S action plan detailing specific areas for KPG's review in liaison with the SMT and the RMG
 - receiving and monitoring reports from Units regarding progress in their H&S and insurance claims, particularly in respect of high risk H&S topics (e.g. required annual work, risk assessments, etc.)
 - reviewing H&S and relevant insurance matters, and reporting progress to the RMG
 - reporting to the RMG any H&S issues that are considered possible CRR entries
- 4.10 Internal Audit - is responsible for:
- undertaking audits of the Council's Risk Management system and procedures in order to assess their effectiveness and compliance with the Council's requirements as part of Corporate Governance process
 - making recommendations to improve the effectiveness of RM within the Council

APPROVAL:

This policy was referred to and signed by the Leader and the Chief Executive on 4 July 2006

The policy was last reviewed in February 2012

This Policy version is number 2.12

Next review date: February 2013

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 21 MARCH 2012

EXECUTIVE
3 APRIL 2012

ST KATHERINE'S PRIORY REROOFING FINANCIAL PROVISIONS

1 PURPOSE OF THE REPORT

- 1.1 To obtain approval to increase the financial provision previously approved for the necessary reroofing works at St Katherine's Priory, Polsloe.

2 BACKGROUND

- 2.1 The West Range of St Katherine's Priory represents the only remaining above ground structure of a priory for Benedictine nuns. The range is likely to have been built in the late 13th century. It is Listed Grade II* and is also a Scheduled Monument below ground level. The medieval roof was replaced in 1862 by the present roof structure, which was originally covered with Welsh slate. Following acquisition by Exeter City Council in the mid 1930s the building was opened to the public as an ancient monument until 1951. By the late 1960s it was in use as a building materials store. Substantial refurbishment took place in 1981, when a new floor and ceiling were introduced and kitchen and toilet facilities installed. It has been in use since that date as a community centre for the Stoke Hill Community Association.
- 2.2 The 1862 roof structure is in reasonable condition whereas the covering, consisting of concrete roof tiles probably fitted during the 1960s, is in a particularly poor condition. The tiles appear to be porous and breaking down with cracks and holes across the whole roof area, leading to water penetration. There is no underfelt. Eight bays of the roof have only 75mm of glass fibre insulation and two further bays are not insulated at all due to the position of a room in the roof space.
- 2.3 Exeter City Council has a statutory duty to protect its Listed buildings. As the building is Grade II* Listed and a Scheduled Monument, advice was sought from English Heritage. Following that advice it was considered that the present defective concrete tiles, battens and undersized gutters and downpipes should be removed. The rafters would be extended to provide better protection to the ancient masonry below and be boarded, thus allowing insulation to be installed across the whole roof before re-covering with new Welsh slates. Correctly sized, cast iron gutters and downpipes would then be fitted. A minor excavation is proposed in order to facilitate drainage from a porch roof. The proposed works will safeguard the Grade II* Listed building and by installing insulation to modern standards carbon emissions will be reduced.
- 2.4 On 8 February 2011 Executive confirmed the Scrutiny Committee-Resources decision of 26 January 2011 to set a capital provision of £47,000 for re-roofing of St Katherine's Priory for the financial year 2011/12. This level of provision was established from "ball park" estimates, in the main part as received from an approved roofing contractor, and a small contingency. Scheduled Monument Consent was sought and received in December 2011 and Listed Building Consent was confirmed in January 2012.

- 2.5 Following the receipt of tenders in January 2012 it was apparent that the original funding request was not sufficient. Though the tenders are regarded as consistently priced, the lowest tender indicates a shortfall in the sum set aside for the works of £27,994. The tendered figures include a contingency of £2,000 but it is considered advisable that this sum should remain due to the previous water penetration and relative inaccessibility of the roof for survey purposes.

3 PROPOSALS

- 3.1 It is proposed to carry forward the existing capital budget of £47,000 from 2011/12 into the next financial year and that approval be granted for additional funding of £28,000 to enable the works to proceed based on the lowest tender received.

4 RECOMMENDED

- 4.1 That Scrutiny Resources Committee notes and Executive approves the proposals as outlined in this report in such that the existing capital budget of £47,000 be carried forward from financial year 2011/12 into 2012/13 and that additional funding of £28,000 be provided from capital to enable the St Katherine's Priory reroofing works to be undertaken.

**ASSISTANT DIRECTOR PUBLIC REALM
ASSISTANT DIRECTOR ECONOMY**

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

Background papers used in compiling this report:

None

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 21 MARCH 2012

INTERNAL AUDIT PLAN 2012/13

1. PURPOSE OF THE REPORT

- 1.1 To seek the Committee's approval of the 2012/13 Internal Audit Plan.

2. BACKGROUND

- 2.1 The Internal Audit Strategy was established in line with internal control and risk management best practice, and was used to establish the Audit Plan.
- 2.2 The Council's Internal Auditors use the 'Enterprise Risk Management Approach' (ERMA) they devised to check that there are adequate internal controls and separation of duties, and that risk and business continuity management is considered, 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 'Enhanced Systems Based Auditing control matrices' testing papers, whilst the remaining 'non-fundamental' systems are normally audited at least once over a three-year period.
- 2.4 The two main risk areas continue to be information technology (IT) and housing benefits. IT is considered most significant because of the ever growing reliance on computer systems to provide efficient and cost-effective services. Audit coverage includes checking that there are adequate controls in place to protect the Council's IT systems from the ever present threats of attacks from hackers and viruses, and that there are appropriate arrangements in place to ensure that IT can be promptly recovered should an event occur. Housing benefits is considered high because of the national problem of external claimant fraud and the serious financial affect that would be caused should the Council's benefits grant claim be reduced due to significant input or classification errors.
- 2.5 The audit plan has also taken into consideration the affects of the changes that have occurred as a result of the Council's senior management restructuring. Audit coverage will include checking that there are adequate separation of duties and that computer users' access rights have been updated and are appropriate in regard to their new responsibilities and duties.

3. RECOMMENDATION

- 3.1 That the 2012/13 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 - 2012/13	Days
Information technology (including computer systems)	120
Housing benefits	84
Contracts and procurement	40
Creditors and corporate credit cards	32
Housing including Exeter Home Choice	31
Information management and security (data protection, records management)	30
Payroll	25
Council tax	23
Health and safety	22
Risk management and business continuity management	20
Accounting	20
Corporate governance	15
National non-domestic rating	11
Museums service	10
External funding and grants	10
People management	9
Audit Commission and National Fraud Initiative investigations	8
Treasury management	6
Debtors	6
Car parking	6
Property and estates income	6
Planning fees and charges	6
Building control fees and charges	5
Value Added Tax	5
Insurance	4
Financial regulations	4
Banking, income, petty cash	3
PAYE	3
Security and buildings' access controls	3
Canal	3
Cleansing - domestic and trade clinical waste	2
Cleansing - trade refuse	2
Car mileage claims	2
Partnerships	1
Telephones and private usage	1
Flexi-time	1
Travel and subsistence	1
Members' expenses	1
Grant claims audits	1
Inventories	1
Contingency (investigations, irregularities, etc.)	80
Total	663

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 21 MARCH 2012

INTERNAL AUDIT WORK – 2nd HALF-YEAR 2011/12

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 2011/12 Audit Plan was approved at this Committee's 23 March 2011 meeting.

3. WORK UNDERTAKEN

- 3.1 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 due attention is paid to corporate governance and risk management. A summary of the fundamental systems audits completed to date is provided below.

Findings

- 3.2 **Council tax** – this audit is broken down into sub-systems, two areas were audited:
- 1) valuation, liability and billing – two High and five Medium risks were reported, all of the recommendations were accepted. However, one involved asking the software provider to amend the software, was considered by the company to be too complicated to action
 - 2) collection, refunds and recovery – three High and seven Medium risks were reported, all of the recommendations were accepted

Based upon the testing and response of management in accepting the recommendations, the system's internal controls will be good once the agreed controls have been introduced.

- 3.3 **Non-domestic rating** – one High and nine Medium risks were reported, of which two Medium risks were not accepted. The first was because the manager considered there were adequate compensating controls in place, and in the second that there were insufficient staff resources to check the accuracy of refund calculations.

Based upon the testing and response of management in accepting the recommendations, the system's internal controls will be satisfactory once the agreed controls are introduced.

- 3.4 **Housing benefits** – this audit is broken down into sub-systems, the areas audited were:
- 1) fraud prevention and detection – only one Medium risk was reported concerning a risk assessment, which was agreed to be actioned by 31 March 2012.

2) subsidy claim - quarterly audit checks are undertaken (due to the value of the claim, approximately £32 million) to test that cases have been correctly calculated and classified for subsidy purposes

Based upon the testing and the continuing positive response of management in accepting the recommendations, the system's internal controls will remain good.

- 3.5 **Health and safety** - assessments were made of services' performance regarding the management of personal protective equipment (PPE) and respiratory protective equipment (RPE), which includes protective gloves, hi-vis jackets, steel toe-capped boots, climbing equipment. It is essential that the employees concerned are aware of what equipment they are required to use and how they should use it, as this could mean the difference between an employee walking away from an incident unharmed or sustaining a serious injury. It is also essential that periodic management compliance checks are undertaken and recorded. This is to ensure that should an incident occur because of, for example, refusal to wear PPE then the Council has sufficient evidence to robustly defend any spurious injury compensation claims.
- 3.6 **Payroll** - 10 Medium risks were reported, all of which but one was accepted. The one was in respect of independent checking of the system's exception reports, as it was considered there was a lack of appropriate resources and that there were adequate compensating controls in place
- 3.7 **Computers** – continuing testing is undertaken throughout the year because of the criticality of this service provision. The audits that have been undertaken have not yet been concluded, but will be reported to the November meeting of this Committee.
- 3.8 **Information governance** - there have recently been many instances reported by the media of cases where there have been failures to protect the confidentiality and integrity of individual's sensitive personal data. These failures not only affect an organisation's public image, but also result in non-compliance with legal requirements (e.g. the Data Protection Act) and significant financial penalties being incurred (the maximum penalty is £½ million). In order to comply with the Data Protection Act, the Government's 'Code of Connection' and other requirements, an e-learning module was developed by Internal Audit to provide appropriate Information Security Awareness training for staff and Councillors.
- 3.9 **Regulation of Investigatory Powers Act (RIPA)** - the Home Office's revised code of practice for covert surveillance requires that:
- 1) the Council's use of RIPA is reported quarterly to Councillors. To date, one application was made which was in respect of an employee suspected of falsifying his time records to conceal the fact that he was leaving work early. Internal Auditors undertook an investigation.
 - 2) on an annual basis, Councillors should review the Council's use of RIPA and its procedures. Following a visit by an Assistant Surveillance Commissioner on 20 January, revisions are being made to the procedures for approval by this Committee.

4. **RECOMMENDATIONS**

- 4.1 That the Internal Audit Report for the 2nd half-year of 2011/12 be received.
- 4.2 That the revised RIPA procedures 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

Exeter City Council

The Covert Surveillance and Covert Human Intelligence Source Procedures

1. Introduction

- 1.1 The Regulation of Investigatory Powers Act 2000 (RIPA) imposes various provisions regarding the:
- interception of communications
 - acquisition and disclosure of data relating to communications
 - carrying out surveillance
 - use of Covert Human Intelligence Sources (CHIS)
 - acquisition of various electronic data
- 1.2 The aim of RIPA is to ensure that such activities are carried out in accordance with the law and are therefore less vulnerable to challenge under the Human Rights Act 1998
- 1.3 Council officers who undertake directed covert surveillance or use Covert Human Intelligence Sources (collectively referred to as 'surveillance operations') must be familiar with these procedures.
- 1.4 Compliance with the RIPA provisions is monitored and periodic visits made by the Office of the Surveillance Commissioner (OSC). Officers must therefore ensure that they comply with these procedures at all times, whether or not it is intended to use any information from a surveillance operation as evidence in court or for other proceedings
- 1.5 The Home Office has issued codes of practice for the use of covert surveillance and of CHIS. The codes are published on the RIPA intranet page.

2. Definition of RIPA terms

- 2.1 *Collateral Intrusion* – is the risk of interference with, or intrusion into, the privacy of any other person or persons other than the subject of the proposed surveillance.
- 2.2 *Confidential Material* refers to:
- matters subject to legal privilege
 - confidential personal information relating to a person's physical or mental health, spiritual counselling or other assistance being given or oral or written information arising in the course of any trade, business etc, that is held subject to an undertaking of confidence or a restriction on disclosure or obligation of secrecy contained in legislation
 - confidential journalistic material being material acquired or created for the purposes of journalism
- 2.3 *Covert Human Intelligence Source* (CHIS) - is the use of a person to establish or maintain a personal or other relationship with another person in order to:
- obtain information or to provide access to any information to another person, or
 - disclose information obtained through the relationship
- in a manner that ensures the other party is unaware of what is being undertaken
- 2.4 *Covert Surveillance* - is surveillance that is carried out in a way that the subject of the surveillance is unaware that it is or may be taking place
- 2.5 *Directed Covert Surveillance* - surveillance is directed surveillance if all of the following apply:
- it is covert, but not intrusive surveillance
 - it is conducted for the purposes of a specific investigation or operation
 - it is likely to result in the obtaining of *private information* about a person (whether or not one specifically identified for the purposes of the investigation or operation)
 - it is conducted otherwise than by way of an immediate response to events or circumstances the

nature of which is such that it would not be reasonably practicable for an *authorisation* under Part II of the 2000 Act to be sought

- 2.6 *Intrusive Covert Surveillance* - is covert surveillance that:
- is carried out in relation to anything taking place on a residential premise or in any private vehicle
 - involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device
- Note: Intrusive Covert Surveillance cannot be authorised or undertaken as the Council does not have the necessary legal powers**
- 2.7 *Necessity* - is the requirement to consider why use of covert surveillance is needed, and ensuring that the request is in fact in connection with preventing and detecting crime or preventing disorder
- 2.8 *Officer* - is a person employed by Exeter City Council
- 2.9 *Proportionality* – is the requirement that consideration is given to whether the proposed covert surveillance is:
- proportional to the ‘mischief’ under investigation
 - proportional to the degree of anticipated intrusion on the target and others
 - the only option, other overt means having been considered and discounted
- 2.10 *Surveillance* – includes:
- monitoring, observing or listening to persons, their movements, their conversations or their other activities or communications
 - recording anything monitored, observed or listened to in the course of surveillance
 - surveillance by or with the assistance of any surveillance device
- 2.11 *Surveillance Device* - is any apparatus designed or adapted for use in surveillance

3. Activities subject to RIPA

3.1 The following activities are subject to RIPA and therefore require authorisation:

- a) use of *Directed Covert Surveillance* - the surveillance of an individual with a view to obtaining information without their knowledge
- b) use of a *CHIS* - using a person to interact with another person in order to obtain information about them without that person knowing. The CHIS may be an officer or a third party.

3.2 **Note:** A surveillance operation can only be authorised if it is for the purposes of preventing and detecting crime or preventing disorder

4. Activities not affected by the Act

- 4.1 RIPA does not apply to surveillance that is not covert, for example:
- the use of overt CCTV surveillance systems. However, these are subject to other controls (e.g. Data Protection Act 1998).
 - general observations undertaken by an officer in the normal performance of their duties that does not involve the systematic surveillance of an individual will not usually be regulated by RIPA
 - surveillance undertaken where the subject concerned is aware that it is or may be taking place

5. The need for authorisation

5.1 Whenever there is an intention to undertake directed covert surveillance or use a CHIS then appropriate authorisation **must** first be obtained

6. Officers who can grant an authorisation

- 6.1 Authorisation can only be granted by one of the following:
- Assistant Director Finance

- Corporate Manager Legal

6.2 **Note:** In normal circumstances, if one of the above authorising officers is directly involved in undertaking an investigation, then they must not give authority to themselves. An exception is where the matter is sufficiently urgent that it prevents the officer from obtaining authority from one of the other authorising officers.

7. Covert surveillance and Covert Human Intelligence Sources (CHIS) authorisations

7.1 Application

a) An application for directed surveillance or CHIS must be made in writing on the appropriate form, unless the situation is urgent (please see 8 below). These are published on the RIPA intranet page.

b) All relevant parts of the application form must be completed by the officer seeking the authorisation, in particular information must be provided that:

- explains the action that is being authorised, including any premises or vehicles involved
- identifies, where known, the subject of the surveillance operation
- specifies the grounds on which authorisation is sought
- explains why the surveillance operation is necessary
- explains why the surveillance operation is considered 'proportionate', a concept arising from the Human Rights Act, and applies to both the surveillance operation itself and the length of time it will continue for. Proportionality covers necessity and requires consideration to be given to assessing the scope of the surveillance operation to the actual 'mischief' concerned
- identifies what information is desired from the surveillance
- specifically addresses the likelihood and extent of intrusion or interference with the privacy of other persons other than the subject of the surveillance operation
- assesses the likelihood of acquiring any confidential material
- identifies any surveillance device that is proposed to be used

c) **In the case of a CHIS, the information must also include:**

- information relating to the intended CHIS
- the purpose for which the CHIS will be used
- the nature of what the CHIS will be assigned to undertake

d) The authorising officer must examine all of the information on the application form, and before authorising must consider:

- is the requested surveillance lawful
- is the surveillance proportionate
- Is the surveillance operation necessary on the ground shown (i.e. preventing and detecting crime or preventing disorder)
- what the risk of collateral intrusion is
- what the likelihood of obtaining confidential material is. (Note: where confidential material may be obtained then authority for the surveillance operation and possibility of obtaining confidential material must be given by the Chief Executive or by whoever deputises for him/her when they are unavailable)
- is the use of any surveillance device acceptable

Note: At the time of signing, the authorising officer should contact the RIPA monitoring officer in order to obtain the consecutive 'Unique Reference Number' that needs to be entered onto the form

e) **Where surveillance involves a CHIS then there are the following additional issues:**

- special consideration must be given to any risks that the CHIS may face whilst they are undertaking the activities proposed
- vulnerable individuals must not be used as a CHIS unless authorised by the Chief Executive or by whoever deputises for the CX when he is unavailable
- the use of a juvenile as a CHIS (i.e. a person under 18 years of age) requires special consideration. Under no circumstance should a CHIS under 16 years of age be authorised to give information against his/her parents. In any event, a juvenile must not be used as a CHIS

unless authorised by the Chief Executive or by whoever deputises for him/her when they are unavailable.

f) At the time of authorisation, the authorising officer must set a period or date in which the authorisation must be reviewed (e.g. within 1 month). However, where there is potential access to confidential information, collateral intrusion or use of vulnerable individuals/juveniles, then more frequent reviews must be undertaken

g) The applicant/officer undertaking the surveillance should take a photocopy of the authorised form and keep it with their surveillance notes, documents, record, etc. for reference. The original authorised application form should be immediately sent to the RIPA monitoring officer (the Head of Audit) who maintains the central record.

h) **Note:** A directed covert surveillance authorisation ceases to have effect after 3 months from the day that it took effect. Urgent authorisations cease to have effect after 72 hours from the time when the authorisation was granted

i) **Note:** A CHIS authorisation ceases to have effect after 12 months from the day that it took effect unless the CHIS is a juvenile in which case it will only last 1 month. Urgent authorisations cease to have effect after 72 hours from the time when the authorisation was granted

j) Once an investigation has been completed, all written details associated with it (including the original authorisation, renewal, etc.) must be kept for 6 years in a secure location, where they can be easily found should an authorised person require to examine them

7.2 **Review**

a) The officer who applied for the authorisation (or other suitably experienced officer) must review the application in accordance with the period or date specified by the authorising officer (see 7.1g). The forms are published on the RIPA intranet page.

b) Details of the review should be recorded in writing on the form, and the authorising officer must either approve the application or cancel the surveillance. However, before doing so the authorising officer must consider the continuing necessity and proportionality of the application. The officer undertaking the surveillance or carrying out the review should take a photocopy of the form and keep it for reference and send the original to the RIPA monitoring officer immediately for entering onto the central record.

c) The officer undertaking the surveillance or carrying out the review must promptly notify the authorising officer if an investigation unexpectedly interferes with the privacy of individuals who are not covered by the authorisation. Consideration should at the same time be given as to whether a further authorisation is required.

7.3 **Renewal**

a) A request to renew the authorisation should be made prior to the existing authorisation ceasing, and should normally only be made close to the cessation of the existing authorisation. The forms are published on the RIPA intranet page.

b) An authorising officer can renew an authorisation in writing (whether originally given orally or in writing) for a further period of 3 months. However, before doing so the authorising officer must consider the continuing necessity and proportionality of the application. Only in the most exceptional circumstances would it be considered appropriate to renew an authorisation orally.

c) The request for renewal should contain the following information:

- whether this is the first renewal, or if not, when the authorisation were previously renewed
- the details required for the original authorisation as they apply at the time of the renewal
- any significant changes to the information
- the reasons why continued surveillance is necessary and proportionate

- the content and value to the investigation of information so far obtained
 - an estimate of the length of time that further surveillance is necessary
- d) If the authorising officer decides the request should not be granted then the reasons should be recorded on the renewal form and show clearly why the renewal was refused
- e) The officer undertaking the surveillance should take a photocopy of the renewal form (even if refused) and keep it for reference and send the original to the RIPA monitoring officer immediately for entering onto the central record.
- f) An authorisation must be either renewed or cancelled (once the specific surveillance is complete or about to expire) as it does not lapse with time

7.4 Cancellation

- a) Each approved authorisation must be formally cancelled unless it is renewed. The forms are published on the RIPA intranet page.
- b) The authorisation must be cancelled where the directed covert surveillance has achieved its purpose or no longer meets the authorisation. The form must be signed by an authorised officer who needs to record on the form the time and date when the authorisation was cancelled
- c) The officer undertaking the surveillance should take a photocopy of the cancellation form and keep it for reference and send the original to the RIPA monitoring officer immediately for entering onto the central record.

8 Urgent authorisations

- 8.1 A situation should only be regarded as urgent if, in the time that would elapse to enable normal procedure to be followed, it could endanger life or jeopardise the investigation
Note: Before applying for such, ensure that the surveillance is not already covered by the immediate response provision in the Regulation of Investigatory Powers Act 2000 section 26.2.c
- 8.2 In normal circumstances, surveillance must not be undertaken without written authorisation. If the situation is considered urgent so that an application form cannot be completed, then an oral authorisation may be given. In such cases, the officer seeking authority should record in writing as soon as possible a statement of the authorisation given. Furthermore, within 2 working days of the authority being given all of the details that would normally have been provided on an application form should be completed in writing and the original copy sent to the RIPA monitoring officer with a summary of the oral authorisation that was given

9 Confidential Material

- 9.1 Every officer involved in a surveillance operation should ensure that they are familiar with what is meant by confidential material. If at any time during surveillance an officer is unsure whether confidential information has been obtained then they should consult the Corporate Manager Legal as soon as possible and ensure that further information is not obtained until the situation is clarified.

10 Record keeping

- 10.1 The officer carrying out surveillance must maintain an adequate log/record as these might be needed in the event of subsequent proceedings.
- 10.2 Any alterations in the log/record should be crossed through with a single line, initialled and the correct information written to the side, correction fluid must not be used. No blank lines should be left where additional information could later be written in at a later date
- 10.3 The log/records should be signed as true statements and held with the surveillance notes, documents, record, copies of the authorised forms, etc. securely for six years

11 The RIPA monitoring officer's role

11.1 The RIPA monitoring officer is responsible for:

a) maintaining the central record of RIPA authorisations, reviews, renewals and cancellations and keeping copies of all authorisations for at least three years from the ending of the authorisation

Note: Specific records must be kept of any:

- urgent authorisations
- authorisations relating to confidential material
- authorisations for the conduct or use of a vulnerable individual or juvenile as a CHIS and that such cases must be brought to the attention of the OSC inspector when he/she visits.

b) oversight of the Council's RIPA process.

c) monitoring the day-to-day operation of RIPA and checking that authorisations are in compliance with legislation; and with relevant codes of practice, procedures and guidance.

d) raising awareness of RIPA within the Council, and organising a RIPA training programme

11.2 The RIPA monitoring officer will undertake an annual review of the operation of these procedures, and prepare reports referred to at 13.1 and 13.2 below.

12 The senior responsible officer's role

12.1 The 2010 revised code of practice for directed surveillance and CHIS under RIPA considers it good practice for every public authority for a senior responsible officer (SRO) to be made responsible for:

- the integrity of the process in place within the public authority for the management of CHIS;
- compliance with Part II of the Act and with the Codes;
- oversight of the reporting of errors to the relevant oversight Commissioner and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
- engagement with the OSC inspectors when they conduct their inspections, where applicable; and
- where necessary, oversight of the implementation of post-inspection action plans approved by the relevant oversight Commissioner

12.2 The SRO is responsible for ensuring that all authorising officers are of an appropriate standard in light of any recommendations in the OSC's inspection reports, and addressing any concerns about the standards of authorising officers.

12.3 The SRO should be a member of the corporate leadership team

13 Councillors

13.1 Councillors are responsible for reviewing the use of RIPA and setting the policy once a year.

13.2 Quarterly reports are made on the use of RIPA to Councillors who are responsible for ensuring that RIPA is being used consistently with the Council's policy, and that the policy remains fit-for-purpose. However, Councillors must not be involved in making decisions on specific RIPA authorisations.

14 Complaints

14.1 An independent tribunal has been established to investigate RIPA complaints, information about the complaints procedure is obtainable from:

Investigatory Powers Tribunal
PO Box 33220
London
SWLH 9ZQ

Telephone 020 035 3711 Website <http://www.ipt-uk.com/>