

SCRUTINY COMMITTEE - RESOURCES

20 June 2012

Present:

Councillor Baldwin (Chair)

Councillors Bowkett, Branston, S Brock, Bull, Crew, Crow, D J Henson, Macdonald, Pearson, Robson and Spackman

Apologies:

Councillor Ruffle

Also present:

Chief Executive, Assistant Director Finance, Assistant Director Housing and Contracts, Corporate Manager Democratic & Civic Support and Member Services Officer (SJS)

In attendance:

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

Councillor Martin – Portfolio Holder for Business Transformation and Human Resources

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

23 **Minutes**

The minutes of the meeting held on 21 March 2012 were taken as read and signed by the Chair as correct.

24 **Declarations of Interest**

A Member declared the following personal interest:-

COUNCILLOR	MINUTE
Councillor Macdonald	29 (Trustee of a tenant at Verney House)

25 **Interim Audit Report**

Mr Morris of Grant Thornton, the Council's External Auditor, presented the Interim Audit Plan. Members were advised on the audit approach, the audit risk assessment and the results of the interim audit work.

During discussion Members raised the issue of the possibility of outsourcing the internal audit work or joining the South West Audit Partnership and the adequate segregation of duties into the creditors system which was raised in the plan.

The Assistant Director Finance advised that measures were being introduced to address the adequate segregation of duties in the creditors system to ensure that

appropriate separation occurs between the ordering of goods and the processing of invoices.

Mr Morris clarified that the majority of councils have in-house internal audit and the segregation of duties in the creditors system would be followed up when the next audit was undertaken.

Mr Morris updated Members on the changes that taken place since the Audit Commission had been abolished and that Grant Thornton had the contract to undertake audit work for the majority of councils in the South West. The audit fee for the next five years would decrease by 40% and there would also be a reduction of 50% in the fee for the certification of grants.

Members noted the Plan.

(Plan circulated)

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

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

The Leader stated that he shared Members concerns regarding the year on year reduction in the Council's reserves. The Council was addressing the Government cuts in grants through the recent senior management restructure and streamlining services through the Vanguard process.

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

The following responses were given to Members' questions:-

- the Council was looking into the best way to provide an accessible and flexible service for the customer including the possibility of a late evening opening instead of a Saturday morning opening
- the Council was constantly looking at trends of how people use the web site and exploring how social media was used to access information
- access to WIFI for Committee Rooms and the Customer Service Centre would be looked into
- a recent example of partnership working was that Devon County Council had agreed to buy some pages in the Exeter Citizen.

PERFORMANCE MANAGEMENT

27 Housing and AIM Property Maintenance Outturn Report 2011/12

The joint report of the Assistant Director Housing and Contracts, Assistant Director Economy and Assistant Director Finance was submitted.

Scrutiny Committee – Resources noted the:-

- (1) outturn financial position of the £5.8m programme of revenue funded housing reactive and planned property maintenance and refurbishment for 2011/12 as detailed in the report: and

- (2) outturn financial position of the £1.7m programme of revenue funded non-housing reactive and planned property maintenance and refurbishment for 2011/12 as detailed in the report.

(Report circulated)

28 **Resources Scrutiny Revenue Final Accounts 2011/12**

The report of the Assistant Director Finance was submitted.

In response to a question, the Corporate Manager Democratic and Civic Support advised that the Police and Crime Commissioner's Election in November 2012, would not have any additional costs implications for the Council as all costs would be recovered from the Home Office.

The Scrutiny Committee – Resources noted the report.

(Report circulated)

MATTERS FOR CONSIDERATION BY THE EXECUTIVE

29 **Capital Monitoring 2011/12 and Revised Capital Programme for 2012/13 and Future Years**

Councillor Macdonald declared a personal interest as a Trustee of a Tenant at Verney House.

The Assistant Director Finance presented the report advising of the overall financial performance for 2011/12 in respect of the Council's revised annual Capital Programme and sought approval of the 2012/13 revised capital programme.

He advised that the capital expenditure in the year amounted to £13,123,271, a reduction of £3,181,809 on the planned figure of £16,305,080. The actual expenditure during 2011/12 represented 80.5% of the total approved for the revised Capital Programme, which meant £4.9 million would need to be carried forward to be spent in future years.

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

- (1) overall financial position for the 2011/12 annual capital programme; and
- (2) amendments to the Council's annual capital programme for 2012/13.

(Report circulated)

30 **Overview of Revenue Budget 2011/12**

The Assistant Director Finance presented the report advising Members of the overall financial position of the Housing Revenue Account (HRA) and General Fund Revenue Budgets for the 2011/12 financial year. There was an underspend in the HRA of £1,834,077 in the planned contribution to the Repairs Fund. This was due to a significant underspend in the HRA capital programme and the fact that the capital programme had been financed from other capital resources. There had also been additional income from rents. Members were updated on the earmarked reserves

which included monies for the voluntary redundancy programme and the New Homes Bonus.

The Assistant Director Finance clarified the accounting position with the new contract for the sports facilities.

The Chief Executive advised that the Council did not yet know what impact the Welfare Reform would have on some residents' ability to pay their council tax and rent and any subsequent effect this could have on debt recovery rates.

The Scrutiny Committee – Resources noted the report and requested that Council note the overview of the Resources Budget for 2011/12 and approve:-

- (1) the net transfer of £727,999 to Earmarked Reserves as detailed in paragraph 3.11 of the circulated report;
- (2) the supplementary budgets of £138,260 as detailed in paragraph 3.16 of the circulated report;
- (3) Earmarked Reserves at 31 March 2012;
- (4) the Council Tax account and collection rate;
- (5) the outstanding sundry debt, aged debt analysis and debt write-off figures;
- (6) the creditor payments performance;
- (7) having regard to the General Fund working balance of £4,285,425 at 31 March 2012, the overall financial position of the Council as set out in paragraph 3.14 of the circulated report;
- (8) the Housing Revenue Account working balance at 31 March 2012 of £5,764,423 and the Council Own Build working balance of £28,207.

(Report circulated)

31 Treasury Management 2011/12

The Assistant Director Finance presented the report detailing the overall performance for the 2011/12 financial year and the position regarding investments and borrowing as at 31 March 2012.

He updated Members on the position with the monies held in the Icelandic banks and that due to very low interest rates the Council continued to use short term borrowing to manage its cash flow. The Council's borrowing requirements were under constant review, monitoring short and long term interest rates.

The Scrutiny Committee – Resources noted the Treasury Management report for 2011/12 and recommended approval by Council.

(Report circulated)

32 Annual Governance Statement

The Assistant Director Finance presented the proposed Annual Governance Statement that would accompany the Council's Annual Statement of Accounts for

2011/12. This Statement also incorporated the Council's Code of Corporate Governance which was published on the Council's website.

The Scrutiny Committee – Resources:-

- (1) supported the Annual Governance Statement; and
- (2) recommended that Council note and approve the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2011/12.

(Report circulated)

33 New Approach to Managing Building Contracts - Total Project Delivery Initiative

The Assistant Director Housing and Contracts presented the report which sought Members' approval to continue the initiative for the delivery of the housing kitchen, bathroom, gas central heating and boiler replacement for up to four years, following a successful six month trial period. Members were also asked to approve the examinations of the practicality of extending the initiative to cover working budgets in respect of PSL's, Extralet and disabled adaptation programmes.

Members were updated on the background and the advantages of the Total Delivery Project Approach.

Members welcomed the scheme and that local companies would be more encouraged to tender for work.

The Scrutiny Committee – Resources noted the report and recommended to Executive that:-

- (1) they note the initial progress made on the TPD pilot; and
- (2) support its continuation and extension for up to 4 years, or until respective budgets involved are exhausted, subject to annual review and approval by the Assistant Director Housing and Contracts.

(Report circulated)

MATTERS FOR CONSIDERATION BY SCRUTINY COMMITTEE - RESOURCES

34 Petition Scheme - Application for S49 Hardship Business Rate Relief

The Assistant Director Finance presented the report to consider a petition with 150 signatures in support of an application for hardship business rate relief under Section 49 of the Local Government and Finance Act 1988.

Members discussed the remit of the petition scheme and the appeal procedure should the applicant want to contest any decision made by the Council.

The Scrutiny Committee – Resources noted the petition and agreed that the application be determined by the Assistant Director Finance in consultation with the Leader of the Council.

(Report circulated)

35 **Member's Allowances Paid 2011/12**

The Corporate Manager Democratic and Civic Support presented the report advising of the allowances paid to Elected Members and Co-opted Members in 2011/12.

The Scrutiny Committee – Resources noted the report.

(Report circulated)

36 **Workforce Profile 2011/12**

The Chief Executive presented the report providing Members with an outline of some workforce issues for the Council between April 2011 and March 2012.

Members welcomed the proposed apprenticeship scheme which would be the subject of a report to Executive on 3 July 2012 and the reduction in sickness levels.

The Scrutiny Committee – Resources noted the report.

(Report circulated)

The meeting commenced at 5.30 pm and closed at 7.10 pm

Chair

LEADER'S REPORT TO SCRUTINY RESOURCES

The Council's Current Financial Standing

Exeter City Council continues to face unprecedented cuts in its financial support from the Government. For Exeter this has meant a reduction in formula grant of almost 23% between 2010/11 and 2012/13 with expectations of further cuts in grant beyond that. In cash terms our formula grant has reduced from £10.7 million in 2010/11 to £8.3 million in 2012/13. As a consequence of this we were required to reduce our budget this year by £1 million. This means we can no longer just manage our budgets better; we have to now manage our business differently as well as being prudent with our finances. The restructure of the Council has already seen a reduction in our senior management of 30% which will produce half of the saving required as a consequence of the government cut. The remaining 50% is being found through other efficiency savings which do not impact on front line service delivery.

The Council's Medium Term Financial Plan also indicates that the Council will need to make further savings of £2.2 million by 2016/17.

Members will note however in the revenue outturn reports being presented to Scrutiny Resources that last year the Council has performed extremely well. We have achieved our overall savings target and the Council has in fact made a surplus due to increased income from services like recycling. There has also been further good news with regard to the money that we had invested in 2 Icelandic banks. We have already recovered £3 million of the £5 million that we had invested and it is currently predicted that we will eventually recover all of our original investment plus some interest.

Apart from government grants one of the most important sources of our income is council tax and this currently raises about £4.7 million for us. As you know this has been frozen for the second year running and in comparison with most other district councils Exeter has a very low council tax; it currently has the 5th lowest district band D council tax. However, this also means that the council is also less able to generate additional revenue from council tax in comparison with most other councils. Whilst other sources of revenue, such as car parking income and property income, are relatively substantial in Exeter, they are both largely dependent on the health of the economy and cannot be expected to significantly increase from current levels in the short term.

With regard to the Council's revenue reserves, significant use has already been made of them in recent years as part of the overall budget strategy. The Council's revenue reserves at the end of 2007/08 were some £10.1 million, comprised of £7.5 million of unallocated General Fund balances and £2.6 million of earmarked reserves. By contrast, the Council's reserves position as at 31 March 2012 shows total revenue reserves of only £6.2 million, of which £4.3 million are in respect of the unallocated General Fund balance. The Council has already planned to use its reserves so that the General Fund Balance reduces to the prudential minimum level of £2 million by the end of 2016/17.

All of this leads to the inescapable conclusion that Exeter City Council will have to continue to reduce its cost base in the medium term if it is to meet its legal duty to have a balanced budget, whilst providing a wide range of mandatory services to the public. In recent years the Council has been able to save very significant sums from budgets through greater efficiency and reduced staffing. That is why the Council has reduced its senior management structure and will continue with its systematic review of services to find the necessary savings in other areas. Our overall financial aim remains to find efficiency savings which do not impact on front line service delivery.

The Labour Manifesto was widely endorsed by the people of Exeter in the elections, I believe because it shows a positive vision for the city despite financial constraints. Economically Exeter has much to be optimistic about. It is our leadership and vision for the city that appeals to commercial partners. We are investing in the infrastructure of our communities and taking opportunities as with the torch relay to celebrate with the community. Exeter has a bright future with Labour.

PORTFOLIO HOLDER REPORT TO SCRUTINY RESOURCES

Transformation Programme

Local authorities are under attack from many in the Coalition government, including local government ministers. Our response as a Labour Council is to transform the organisation, to ensure that it is ready to respond to the contemporary demands placed on us by our residents and customers. Some councils have outsourced services, where the imperative is to slash budgets rather than provide quality services. We believe a service mainly staffed by our own workforce is the model most efficient and responsive to demand.

This process started with the Senior Management Review which was concluded at the start of this year and I am pleased to say that we now have all of the Strategic Directors, Assistant Directors and Corporate managers in post.

We committed to introducing Systems Thinking to the council, to facilitate us in taking an outside-in view of the way we currently work. This has helped us to focus on what is important for our residents and customers and how we might reconfigure our services to deliver what matters to the customer in the most efficient way, stripping out unnecessary waste and duplication.

As a result of information and analysis since last summer, three reviews have been established:

- “Help Me With My Financial/Housing Problem” (with a view to broadening this out in the future to “Help me Back to Financial Independence”)
- “Maintain the City’s Physical Assets”, which focuses on the maintenance of our Housing stock and Commercial Buildings.
- “Enable Good Development”, which focuses on Planning and Development.

As referred to earlier, these three reviews put a clear emphasis on refocusing our services around the needs of our customers and residents and stripping out unnecessary waste, duplication and bureaucracy. It is also about how we measure and continually review and improve performance. It is vital for the success of this work that councillors understand what we are trying to achieve and that we are also beginning to look at the way we review performance, make decisions and ensure that we are leading the focus on the best outcomes for our customers.

We remain committed to extending our opening hours. We are therefore looking as part of the review which relates to helping people with financial or housing problems, whether there is value in offering that service one evening in the week rather than on a Saturday morning.

Welfare Reform

April 2013 will see more changes for residents currently receiving Housing Benefit or Council Tax Benefit, and poses significant challenges for the Council in providing ongoing support. Council Tax Benefit is being abolished at the end of the financial year, to be replaced by a local Council Tax support scheme. Funded by a fixed grant, based on indicative figures released recently, for Exeter this amounts to a cut in Council Tax Benefit expenditure of 14%. The Council has a very tight timescale within which to establish a local scheme which protects the most vulnerable in society while supporting the work incentives being introduced through Universal Credit. Options for the scheme will be discussed shortly followed by a period of consultation. The final scheme must be agreed by 31st January 2013 to avoid a default scheme being imposed by the Government.

Although details have not yet been confirmed in regulations, based on information announced so far, residents will also be affected by other aspects of welfare reform, mainly the Benefit Cap and Social Sector Size Restrictions.

Benefit Cap – a limit on overall benefit income for individuals and households out of work. The restriction will be administered by reducing Housing Benefit payments putting responsibility for any resulting hardship on the Council. Exemptions apply for households in receipt of qualifying disability benefits, and the cap does not affect pension age claims. Around 50 households in Exeter could be affected.

Social Sector Size Restrictions – affecting Council and Housing Association tenants, a deduction will be made from Housing Benefit payments in cases where the claimant is considered to have spare bedroom/s. The reduction could be 14% of gross rent for 1 spare bedroom and 25% for 2 or more bedrooms. Approximately 329 Council and 730 Housing Association tenancies could be affected.

IT

It is easy to take our IT resources for granted but like many organisations we are dependent on robust IT systems and expertise to support the delivery of our services as well as our internal communication.

In order to ensure that we are ensuring that our systems are fit for purpose, we will be delivering key projects:

Network Upgrade – The infrastructure that operates at the heart of the council's network is now 10 years old. This key piece of equipment links together the file servers, PCs and printers and provides the communication hub for the entire network. The upgrade will provide resilience and will have an immediate benefit on performance, whilst ensuring greater capacity for the council's future ICT requirements, such as the Desktop Virtualisation project.

Desktop Updates - For a number of years, the council has operated a strategy where PCs are replaced if they are over 4 years old. However, as we strive to manage long term costs and provide a flexible working environment, we are developing a new approach towards how we manage the council's PC estate.

We will introduce 'virtual desktops' which means that we can increase our return on investment by extending the life of PCs. Virtualised desktops create a special environment on PCs where applications such as Microsoft Office (Word, Excel, PowerPoint etc), including corporate systems are 'published'. This allows older equipment to be used. Users will benefit from improved performance and flexibility. For example, it will be easier to provide access to vital business applications via mobile devices.

Another benefit of the virtual desktop is that they are managed centrally, which means ICT Services can better respond to user demands. Applications available in the virtual environment will no longer require a physical installation and in the event of any problems, PCs can be rebuilt in a matter of minutes. Users can quickly and easily work at any virtual desktop PC and if any applications are missing, they can be published almost immediately.

Members IT Provision – Members currently have the option of using either their own PC or a PC/Laptop supplied by ECC to access their council email remotely via a secure portal and Citrix technology. The majority of the ECC laptops used by members are now between 4 and 5 years old and are in need of replacement. It is proposed to review the current IT provision by working with

the Member Development Steering Group to consider the needs of Members and assess available technologies.

Website review – We are working to ensure that that continually improve our website and intranet so that it can be effectively used as a way of communicating with our residents, councillors and staff. In order to achieve this, we are working to ensure that we have processes in place that allows information to be updated on the website as quickly as possible.

Intranet review – Following the staff survey, the role of the Intranet as a communications tool is being investigated as part of the staff focus groups. This will help us understand whether what we currently have is fit for purpose and what changes we may need to make so that staff see it as a key communication tool, alongside other methods such as City News.

Health and Safety

- We continue to strive to be an exemplar for health and safety by managing work- related sickness absence and encouraging sensible risk management.
- We maintain our commitment to safe working practices by ensuring that we are implementing the health and safety action plan that was approved by Employee Liaison Forum.
- We will aim to reduce the incidence of accidents and incidents through ongoing risk assessment and safety management commitment.

HR

We are currently working to reframe the way that HR works with the rest of the organisation. In particular, we are moving towards a Business Partnering model where there is a specific adviser identified for each directorate in order that they might build more understanding of the service and issues they face.

Other key initiatives within HR include:

- Supporting the development of opportunities for youth employment, in particular the introduction of an Apprenticeship Scheme. The HR unit are currently discussing options with Exeter College, Bicton College and Plymouth College of Art to look at possible options for opportunities for young people with the Council. It is anticipated that a scheme can be introduced from September and dependent upon outcomes rolled out across the Council.
- A fit for purpose Council in respect of Council Structure, Systems Review work and service delivery; and employment policy and practice which underpins this
- Supporting Employees through an immense period of change whilst maintaining and improving services to the public

Civic Centre

- In order to continue to maximize the use of the council's assets, we shall continue to find suitable tenants for the remainder of Phase 3. Part of it is already being taken by the Children's Service of DCC. We continue to ensure that the offices are maintained to a high standard and are suitable to face the changes that will be brought about as a consequence of the various reviews across the organisation.
- The Devon Registration Service has been based within the Customer Service Centre from early June with the ability for marriages to take place here on a Saturday morning.

Democratic Services

- We will be running the Police and Crime Commissioners elections in November of this year (on behalf of Cornwall Council which is the Returning Authority) which has led to us realigning other work to an earlier than normal date (the annual electoral canvas will start two months earlier than normal) (leading to an additional cost as originally this election was to be combined with the May ECC elections and had been budgeted accordingly);