



**Exeter City Council**

To the Chair and Members  
of the Scrutiny Committee - Resources

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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 NOVEMBER 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 19 September 2012.

3 **DECLARATIONS OF INTEREST**

Councillors are reminded of the need to declare any disclosable pecuniary interests that relate to business on the agenda and which have not already been included in the register of interests, before any discussion takes place on the item. Unless the interest is sensitive, you must also disclose the nature of the interest. In accordance with the Council's Code of Conduct, you must then leave the room and must not participate in any further discussion of the item. Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

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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                    **LEADER AND PORTFOLIO HOLDER TO PRESENT THEIR HALF YEARLY  
REPORTS**

Councillor Edwards (Leader and Portfolio Holder for Budget and Strategic Vision) and Councillor Martin (Portfolio Holder for Business Transformation and Human Resources) will present half year reports and take questions. 1 - 12

**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.**

8                    **AIM PROPERTY MAINTENANCE PROGRESS 2012/13\***

To consider the joint report of the Assistant Director Housing and Contracts, Assistant Director Economy and Assistant Director Finance – *report circulated* 13 - 14

9                    **BUDGET MONITORING REPORT TO 30 SEPTEMBER 2012\***

To consider the joint report of the Strategic Director (MP) and Assistant Director Finance – *report circulated* 15 - 22

## **MATTERS FOR CONSIDERATION BY SCRUTINY COMMITTEE - RESOURCES**

### 10 **INTERNAL AUDIT WORK - 1ST HALF YEARLY REPORT - 2012/13**

To consider the report of the Senior Auditors – *report circulated* 23 - 26

### 11 **CORPORATE COMPLAINTS MONITORING**

To consider the report of the Corporate Manager Policy, Communications and Community Engagement – *report circulated* 27 - 32

### 12 **FINANCIAL RESILIENCE REPORT**

To receive the Council's External Auditor, Grant Thornton, Financial Resilience Report – *report circulated* 33 - 68

### 13 **ANNUAL AUDIT LETTER**

To receive the Council's External Auditor, Grant Thornton, Annual Audit Letter – *letter circulated* 69 - 78

## **MATTERS FOR CONSIDERATION BY THE EXECUTIVE**

### 14 **OVERVIEW OF CAPITAL EXPENDITURE TO 30 SEPTEMBER 2012**

To consider the report of the Assistant Director Finance – *report circulated* 79 - 98

### 15 **OVERVIEW OF GENERAL FUND REVENUE BUDGET 2012/13**

To consider the report of the Assistant Director Finance – *report circulated* 99 - 106

### 16 **TREASURY MANAGEMENT - 2012/13 - HALF YEARLY UPDATE**

To consider the report of the Assistant Director Finance – *report circulated* 107 - 110

## **DATE OF NEXT MEETING**

The next **Scrutiny Committee - Resources** will be held on Wednesday 23 January 2013 at 5.30 pm

## **FUTURE BUSINESS**

The schedule of future business proposed for this Scrutiny Committee and other Committees of the Council can be viewed on the following link to the Council's website: <http://www.exeter.gov.uk/forwardplan>  
Councillors can view a hard copy of the schedule in the Members Room.

### *Membership -*

Councillors Baldwin (Chair), Ruffle (Deputy Chair), Bowkett, Branston, Brock, Bull, Crew, Crow, D J Henson, Macdonald, Pearson, Robson and Spackman

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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## Leader's Half-Year report to Resources Scrutiny

### Leaders Previous Report June 2012 - 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 5<sup>th</sup> 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.

### **Update on the Council's Financial Standing as at October 2012**

- The Council is on course to deliver all of the £1 million of savings that were identified in this year's budget. The budget overview report being presented on this agenda shows that after the first 6 months of this year we are on track to keep our spending within the Council's approved budget.
- We have received a good report from our external auditors indicating sound financial performance and an unqualified opinion on the Council's annual accounts.
- We continue to receive back the money the council invested in both of the Icelandic banks; it is anticipated that eventually there will be almost a full recovery including interest.
- The Council has started preparing for next year's budget. Whilst at this stage we don't know exactly what our grant funding is going to be next year it is anticipated that we are going to have to make further significant savings next year and in the medium term. The current Medium Term Financial Plan indicates that we will have to make further savings of about £3 million by the end of 2016/17. This figure is even after the use of reserves which will see a reduction of the General Fund Balances from £4.2 million at the end of March 2012 to the minimum recommended level of £2 million by the end of 2016/17. That is why we will continue with our programme of structural change and service rationalisation to help deliver the necessary savings required.
- There are a number of changes that will be happening next year that will have an impact upon the way we are funded. As part of the welfare reforms, next year will see the introduction of a new localised council tax support scheme to replace council tax benefit. We have been working with our neighbouring Devon authorities to try to come up with a scheme which is both fair but which also keeps the incentives for those that are working.
- Next year our grant allocation from the Government is also going to be based partly on a new localised business rates scheme with incentives built in for those authorities that can deliver real economic growth in their areas. Whilst we expect that nationally the overall funding available for Local Government will be significantly reduced again, I am optimistic that the Council can continue to deliver economic growth in the City to maximise the incentive effect of this new funding scheme. We have led a bid to set up a Devonwide business rates pooling arrangement that will ensure that all additional funding from new business growth remains in Devon as a whole rather than being returned to Central Government.
- With regard to the New Homes Bonus we have continued to gain significant funding with a combination of providing new homes in the City and by bringing empty homes back into use. To date this has generated £389,000 in 2011/12, £1.3 million this year and we are expecting to increase this again next year by a further £971,000 so that we will get about £2.9 million in New Homes Bonus in 2013/14. It is however important that we continue to maximise this funding stream because the New Homes Bonus is now top sliced from the Government's overall funding allocation for Local Government. In other words, whilst our funding from New Homes Bonus continues to increase, our mainstream funding from Government will continue to be significantly reduced during the medium term.

- I returned as Leader of the City Council elected on a manifesto centred on delivering prosperity and growth for Exeter. The transformation of the city centre has been a key part of our vision. It was only thanks to the leadership of Labour Leaders before me that the Princesshay development was delivered. John Lewis has now opened and already seen an increase in footfall in the city centre retail economy.
- Building on this success I am optimistic our leadership in bidding for government money to combine with major developers will enable us to bring plans forward to transform the bus station site, creating jobs and further improve the city centre environment.

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## PORTFOLIO HOLDER REPORT TO SCRUTINY RESOURCES

### Six Month Update

The text in bold type represents the information previously sent to the Committee with the six-month update in italics.

#### **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 is 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.

*A fourth Review is now underway, which is ‘Help Keep Exeter Looking Good’.*

*Colleagues are reminded that the Reviews that are currently taking place are not simply based on individual services within the Council. Part of the learning from our Diagnostic work has been to see our services as part of a wider System that affects our customers, for example, Planning, Benefits, Housing Advice. The Reviews described below encompass more than one of our existing services and are based on the Council’s new purposes as contained in our Corporate Plan.*

*A Member Briefing was held as part of the induction programme for newly elected members, to which all councillors were invited to share learning and progress in this systems review process. A further update briefing was offered last week.*

### **Help Me With My Financial/Housing Problem**

*This review spans across the Customer Service Centre, Housing Benefits, Council Tax and Housing Needs. Members agreed in May to make the system normal; i.e. to make it a permanent system in the front end of the Council. Since May, work has been done to experiment how the System responds to volume and additional staff have been rolled into the System. This has involved a focus on taking new claims for Housing Benefit. Work has also been done to up-skill the Customer Service officers to deal with additional Council Tax enquiries in order to meet residents' demands at the first point of contact.*

*The 'Help me with my Housing Problem' aspect of the Review is well underway with check work having been carried out within the Housing Needs service, which has informed a redesign of front line housing advice and homelessness services. This work has also provided clear evidence that the Devon Home Choice system of allocating affordable homes by holding a large housing register does not best meet housing need and therefore does not help us meet our purpose. It will therefore be necessary for the council to consider its future within the Devon Home Choice partnership and the annual policy review (ending next May) will provide an opportunity to adopt a new system which does best meet purpose.*

*A significant element of the work has been to identify two interim operational leads for the work. These are Laura Fricker and Chris Hancock. Sarah Ward has now also taken on the role of Review Sponsor, alongside Bindu Arjoon. The Leads have taken on these roles from 1 October and have been focussed on re-establishing principles and method within the work as the redesigned system had deviated from the intended purpose (help me solve my housing / financial problem) as referred to earlier and this needed to be addressed. This work has been successful and it is expected that additional staff will be rolled into the system as we begin to generate the performance measures that confirm the System is working to its design. As part of this work, changes have been made to the layout of the Customer Services Centre to enable the design of the work.*

*Once the frontline service is properly established and a plan in place to increase the amount of demand being taken in this way, it is then the intention to extend the scope of the review into Tenancy Services and the Sustainable Lettings Service which are often critical to helping people solve their housing problem. The aim would be for this to start before Christmas although the redesign of the frontline system has taken longer than expected.*

*The next phase of the review is for the System Sponsors to identify the number and type of roles, including management roles, needed in the new system and develop a structure and budget for the new system.*

### **Deliver Good Development**

*The Sponsor for this Review is Karime Hassan and the Review Lead is Andy Robbins. The team completed the "Check" phase which where they have learned about the thinking that underpins the existing system. The Team began experimenting with taking new demand in a different way; developing a holistic end to end approach through dealing with a range of new development projects from minor schemes such as domestic extensions to large mixed use development proposals. Acting more proactively than in the past, the team meets with developers at the earliest possible stage in order to better understand the issues and barriers to development and identifying the key issues to be resolved as the schemes make their way through the planning process.*

*The team expanded from four officers to six and continues to take on a wide range of new demand including a proposal for a new free school for 600 pupils and new residential development in Topsham. By eliminating the considerable waste work that was common in the early administrative phase of dealing with proposals, the team has been able to process planning applications much more quickly than previously. Similarly, by working more proactively with prospective developers and involving the right “experts” – whether they are from the Council or other agencies such as the Highways Agency, Environment Agency and County Council – the team have found that they can resolve key issues earlier. This eliminates the need to impose conditions on consents which in turn generate further work through dealing with applications to discharge applications which can also delay development schemes coming forward.*

*One particular example was the application the team dealt with for 58 houses at the former St Loyes College. The application was determined within 8 weeks – against a Government target of 13 weeks – and it was only necessary to impose four conditions. This will enable, the applicant, Linden Homes to make an early start on site which will deliver much needed homes and indeed income to the Council through the New Homes Bonus. Shortly after receiving the decision notice and just before confirming that the company would commence site clearance works within 10 days, Adam Davies, Linden’s Senior Development Manager wrote saying;*

*“That is fantastic, thank you ever so much for your help; it has been truly outstanding throughout and is greatly appreciated”.*

*This kind of feedback has certainly not been the norm in the past and counter nay possible perception that the Planning System being a barrier to economic development.*

**Maintain the Council’s Assets.** *This review started on 1 October, following an interim restructure in the Housing and Contracts team to provide the management capacity to lead the review. Sarah Ward is the Review Sponsor and Lawrence Blake is the Redesign Lead. A full scoping document timetabling the review and its constituent elements is in place. Data is being gathered about how the work is done presently and how we maintain our building assets across the Council’s whole housing, commercial and civic portfolio. We are beginning to understand that there are a number of various “Maintain our Building Assets” systems across the Council that work in a number of different ways.*

*Several issues are currently being addressed. More staff resource needs to be identified for this review across the council, particularly from Housing, Contracts, Finance, IT and Legal Services. A comprehensive asset register needs to be developed and mapped and contract information needs to be gathered and assessed. Driving flexibility into existing and new contracts is a key priority because in order to test any redesign of the system we will need contractors to be flexible in the way the work is done and might conflict with the existing contracts. More asset management information is required to measure the impact of the existing systems and the impact of system changes that will be introduced.*

**Help keep Exeter Looking Good.** *This Review commenced in October and is being sponsored by Mark Parkinson with Roger Coombes and Robert Norley as Operational Leads. The focus of the review is on the 'looking good' aspect of the Council's stewardship of place - primarily cleansing, grounds maintenance and respective enforcement. The Review is currently within the 'check' phase where there has also been intensive data gathering on the demand on the services within this system and the level of resource, both proactive and reactive, currently being deployed to respond to that demand.*

*In order to help determine what matters to existing and potential customers of the service, 5 focus groups of citizens and community representatives has been held as well as interviews with residents both on the streets and in open spaces. It is planned that progress and emerging issues will be shared with Members shortly.*

## **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 31<sup>st</sup> 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.

*Colleagues may be aware that a report has been considered by Scrutiny Community and Executive about the impact on Residents and the Council of the continued roll out of the Government Welfare Reform Programme. The Council is doing as much as we can to publicise the impact to local communities, working with local partners like the CAB. We are also working on measure to mitigate the impact on the council itself in terms of the demand placed on our services by residents who are negatively impacted by the changes.*

*A report to Executive will recommend to Full Council the approval of our proposed Local Council Tax Support scheme. This scheme has been developed to respond to the Government's 10% reduction in the grant given to us to provide Council Tax Support. Members may be aware that pensioners are protected under the Government changes and therefore the impact of cuts will have to be borne by working age claimants.*

## **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.

*The core switches have now been replaced with a faster more economical solution. Work will now start on replacing satellite site equipment.*

**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.

*Proof of concepts have been completed on the available technologies, we are now at the user testing phase. Offices are testing the VDi solution over an internal wireless network and remotely. Application virtualisation has began and going through the testing phase.*

*Next steps are to finalise the Customer Service desktop and public access kiosks. Also we need to finalise the software licence model; this work has started and will be complete by Christmas.*

**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.

*IT provision for members was discussed at the Member Development Group and will return to the next agenda where a member of the IT staff will attend.*

**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.
- *We continue with our commitment to health and safety as outlined above.*

## 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.

*Three of our original six offered positions have been filled: two business admin appointments based at the civic centre and a cultural heritage operations appointment at RAMM, with a similar position still to fill. We are still working with Bicton College to make two horticultural appointments.*

- 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

*The restructured HR department are working as a business unit on the development of employment policy to support the future operation of the Council:*

- *A Dignity at Work Policy has been agreed, and we're working on manager and employee guidance to support this extremely complex and sensitive employment policy*
- *An A&D Policy will be developed which better supports managers in managing employees found to be under the influence or who come forward with dependency issues*
- *A recruitment policy and underpinning procedural documents*
- *A review of our Criminal Record Bureau arrangements and the posts which require disclosures in light of changes in legislation around safeguarding, and preparing for the re-branding of the CRB and ISA to the Data and Barring Service (DBS)*
- *Employment statistics are being developed to support workforce planning and meet our Equalities obligations in relation to published data.*

## 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.
- *Devon County Council has, via its Early Years Service, taken over part of the accommodation in Phase 3 as well as its continuing use of other accommodation within the Civic Centre and Guildhall for its Registration Service.*

## 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);
- *Despite the additional pressures placed on the Electoral Registration team over the summer months, it has managed to produce an updated Electoral Register much earlier than is normal, to allow the Police and Crime Commissioner elections to be held on the most up to date register. Preparations are also underway for next year's Devon County Council elections. A word of caution though, Individual Registration is due to be gradually introduced over the next couple of years which may require some additional resource - this situation is being monitored.*
- *Following an initiative by the chair of Resources Scrutiny and discussions which included the Leader, last Full Council meeting set up a cross-party task and finish Member Group to review the Council's scrutiny function. It is hoped that any changes suggested can be put in place and operate from next year's AGM.*

## Communications

*We have prepared a Communication Plan to enhance the Council's external and internal communication up to May 2014. This will:*

- *ensure that members and officers are supported with their communication work*
- *publicise proactively the work of the Council and its services*
- *ensure an effective response to media enquiries*
- *raise public awareness of the Council's standpoint on important issues*
- *ensure the Council reacts to public opinions and attitudes*
- *improve communication with members and staff*

*In a new initiative, from next month the Council's quarterly newspaper, the Exeter Citizen, will feature two pages of news from Devon County Council. There will also be two pages dedicated to Community News, which will give local groups and organisations the chance to promote their work and events.*

## Legal

- *At very short notice, a new standards regime was set up and approved by Council. This included the adoption of a new Members Code of Conduct effective from July 2012. Following a period of several months to allow the new code to embed, the Monitoring Officer is now working on improving and simplifying it so that it is more easily understood by all. This work will be supported by a training sessions to be presented to members and scheduled for December 2012.*
- *Legal work on the RAMM project continues and to as does work to prepare for development on the bus station site.*
- *Work continues opposing two Village Green applications relating to land owned by the council at Exhibition Fields and Mill Fields, Exwick. The Exhibition Fields application will be decided following a 12 day public inquiry scheduled to start in March 2013.*
- *We been very successful in dealing with a number of high profile anti-social behaviour cases as well as health & safety prosecutions. In addition to this, very many more routine littering prosecutions have been successfully undertaken.*



# Agenda Item 8

## EXETER CITY COUNCIL

### SCRUTINY COMMITTEE – RESOURCES

21 NOVEMBER 2012

#### AIM PROPERTY MAINTENANCE PROGRESS REPORT 2012/13

#### 1 PURPOSE OF THE REPORT

- 1.1 This is the second quarterly progress report, covering the period from July to September 2012 (but including updated figures as at 10 October 2012). The report details the financial position of the £7.9m programme of reactive and planned property maintenance and refurbishment. This report covers just Revenue funded housing and non-housing schemes as approved by Council for the financial year 2012/13. In some cases this programme further includes budgets for schemes rolled forward from 2011/12. Where necessary this report provides specific details on significant programme variations.

#### 2 BACKGROUND

- 2.1 The Council approved the following:

	£	
<b>Housing budgets</b>		
(a) Housing Reactive Repairs	4,689,330	
(b) Housing Servicing Contracts	724,040	
(c) Housing Maintenance Works	<u>844,600</u>	£ 6,257,970
<b>Non-housing budgets</b>		
(d) Service Recharges	322,590	
(e) Lease Requirements	100,130	
(f) AIM Priority Programme	129,930	
(g) AIM Reactive Repairs - General	528,950	
(h) AIM Service Contracts	516,300	
(i) AIM Operational Essentials	<u>77,260</u>	£ 1,675,160

**Total £ 7,933,130**

- 2.2 The current level of spending against the specifically monitored budgets in 2012/13 above presently indicates that overspend of some £2.1m is expected, solely from financial predictions made in respect of Housing Revenue budgets.

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

## 2.3 HOUSING

### **Housing Reactive Repairs generally – combined budget £4,689,330**

This budget is split into nine separate budgets in order to better raise and monitor orders and control work and costs. As these separate provisions are essentially allied to works of a reactive nature it is difficult to predict the extent or pattern of likely expenditure in the year. However, two areas of overspend have been identified in 2012/13. Firstly it is predicted that Revenue Contribution to Capital will increase beyond budget provision by some £2m to meet the requirements for programmed kitchen, bathroom, asbestos work and for the acquisition of social housing at Dean Clarke House, all as approved by Executive on 18 September 2012. Secondly some £100,000 overspend is predicted as likely to arise against the budget identified for Empty Properties. This being due partly, as a result of a large number of voids arising in the first two quarters of the year and partly because of the agreed increase in Void Standard quality following tenant consultation.

## 3 RECOMMENDED

(i) That the first quarter financial position of the £7.9 m programme of reactive and planned property maintenance and refurbishment for 2012/13 as detailed above be noted.

ASSISTANT DIRECTOR HOUSING AND CONTRACTS  
ASSISTANT DIRECTOR ECONOMY  
ASSISTANT DIRECTOR FINANCE

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

None

## EXETER CITY COUNCIL

### SCRUTINY COMMITTEE - RESOURCES 21 NOVEMBER 2012

#### BUDGET MONITORING REPORT TO 30 SEPTEMBER 2012

#### 1. PURPOSE OF REPORT

- 1.1 This report advises Members of any material differences by management unit to the revised revenue budget, see Appendix 1.
- 1.2 Previous capital budget monitoring updates in respect of Resources Committee were shown in the Council's overall Capital Programme, but will now be shown in Appendix 2 attached to this report.

#### 2. REVENUE BUDGET MONITORING TO 30 SEPTEMBER 2012

- 2.1 The current forecast suggests that net expenditure for this committee will decrease from the revised budget by a total of £247,450 before transfers to and from reserves, which represents a variation of 1.51% from the revised budget. This includes supplementary budgets of £12,000. Capital charges have been deducted from this to provide the total budget for management accounting purposes.
- 2.2 Provision for a pay increase of 2.5% has been included in the 2012/13 budgets. The Council proposed a payment of £250 to staff earning a full time equivalent salary of under £21,000 per annum; the proposal was approved at the Executive on 19 June 2012. This has resulted in a saving on salary budgets; these savings have been included in the variance for each individual management unit.
- 2.3 The main variations by management unit are detailed below:

<b>2012-13 REVISED BUDGET</b>	<b>£ 16,372,560</b>
<b>86A1 REVENUE COLLECTION / BENEFITS</b>	<b>(65,200)</b>

As a result of the change in subsidy in respect of Non HRA Rent Allowances, it is estimated that there will be a small increase in subsidy for 2012/13 resulting in an additional saving in cost of £65,200.

<b>86A2 ELECTIONS &amp; ELECTORAL REGISTRATION</b>	<b>(2,970)</b>
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There is expected to be a small underspend on the cost of operating City Council elections that has been partially offset by an increase in costs for maintaining the electoral register on a rolling basis.

<b>86A3</b>	<b>CORPORATE</b>	<b>(39,750)</b>
	<p>A revised scale of Audit fees have been agreed that will result in a saving this year.</p> <p>Some of the Council's core bank charges have now been charged direct to services rather than corporate.</p>	
<b>86A4</b>	<b>CIVIC CEREMONIALS</b>	<b>68,700</b>
	<p>The retail unit attached to Guildhall was vacant until August 2012 with a subsequent loss of rental income and the payment of void rates; the unit has now been successfully let.</p>	
<b>86A5</b>	<b>DEMOCRATIC REPRESENTATION</b>	<b>(15,260)</b>
	<p>There will be an underspend on Members' Expenses by the end of the financial year due to no inflationary increase in allowances and one member not claiming any allowances at all.</p>	
<b>86A7</b>	<b>UNAPPORTIONABLE OVERHEADS</b>	<b>55,440</b>
	<p>The approved cost of pension fund contributions only following redundancies has been shown in this management unit, with individual services through out the Council being recharged the actual cost of redundancies to reflect where the subsequent savings will be made.</p>	
<b>86A8</b>	<b>CHIEF EXECUTIVE SERVICES</b>	<b>(133,190)</b>
	<p>The reduced pay award has resulted in a saving on pay budgets, see 2.2 above.</p> <p>The posts of Assistant Chief Executive and Communications Manager have been removed and officer's time reallocated to the cost centres where work is being undertaken from April 2012.</p>	
<b>86A9</b>	<b>STRATEGIC/COMMUNITY PARTNERSHIPS</b>	<b>5,060</b>
	<p>There has been a reallocation of staff time since April 2012 to reflect work being undertaken supporting Community Partnerships.</p>	
<b>86B1</b>	<b>TREASURY SERVICES</b>	<b>(16,010)</b>
	<p>The reduced pay award has resulted in a saving on pay budgets, see 2.2 above, with additional savings expected for maternity leave.</p>	
<b>86B2</b>	<b>INTERNAL AUDIT</b>	<b>(63,440)</b>
	<p>The post of Head of Internal Audit was deleted from the establishment from April 2012, resulting in pay savings.</p>	

**86B3 HUMAN RESOURCES (15,890)**

There is expected to be an underspend in the central training budget as a consequence of reorganisations throughout the Council.

The Human Resources section has been reviewed with the resulting redundancy costs; savings will be shown in next year's budgets.

**86B4 LEGAL SERVICES (1,230)**

Although there is expected to be an overspend in pay to cover for long-term staff sick leave, it is likely to be offset by an increase in fee income.

**86B5 CORPORATE CUSTOMER SERVICES 186,500**

The majority of staff from the administration teams of Economy and Community and Environment directorates were transferred to the new Corporate Support Unit with effect from 1 April 2012, to combine with what was the General Office administration team. The budgets for these now disbanded teams are in their old cost centres in the other two committees but all costs have now been recorded here in Resources. The duties of the team have now been defined and this has resulted in some redundancies, but there will be savings that will materialise next year.

At the end of the financial year, the users of this new multi-task service will be recharged with the actual cost of the service. The reorganisation within the Council has meant that offices have been moved which has created surplus accommodation suitable for renting out to external clients and therefore earn income and share costs. Part of this accommodation has already been let to Devon County Council.

In April 2012 there was a substantial increase in the cost of postage that was not known about when the budget was set.

The reduced pay award has resulted in savings in the Customer Service Centre (see 2.2 above) with further savings to be made on salary costs due to vacancies and reduced cover for maternity leave.

**86B6 IT SERVICES (98,650)**

The reduced pay award has resulted in a saving in this unit (see 2.2 above). Further savings will be made on salary costs due to the deletion of the Head of IT Services post and a member of staff reducing hours from April 2012.

**86B7 DIRECTOR CORPORATE SERVICES OFFICE (111,560)**

The post of Director Corporate Services was deleted from the establishment from April 2012, resulting in pay savings.

**2012/13 EXPECTED FINAL OUTTURN 16,125,110**

**LESS INTERNAL RECHARGES (10,951,760)**

**TRANSFER FROM RESERVE (95,280)**

**EXPECTED NET EXPENDITURE 5.078,070**

### **3. CAPITAL BUDGET MONITORING TO 30 SEPTEMBER 2012**

3.1 The current Resources Capital Programme is detailed in Appendix 2. The appendix shows a total forecast spend of £537,520 in 2012/13 with £64,000 of the programme expected to be deferred until 2013/14. Below are explanations for the main variations from the approved programme and a general update on the schemes is also included:

#### ***Electronic City***

- **Authentication Module (Budget £64,000)**

Advice is being received from the Government on improving the authentication checks on on-line systems but it is likely that the budget will need to be carried forward until next year.

### **4 RECOMMENDED**

4.1 That Scrutiny Committee – Resources note this report.

ASSISTANT DIRECTOR FINANCE

STRATEGIC DIRECTOR

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

**Background papers used in compiling this report:**

None

## APPENDIX 1

**SCRUTINY COMMITTEE - RESOURCES  
REVENUE STEWARDSHIP**

**APRIL 2012 TO SEPTEMBER 2012**

<b>ANNUAL BUDGET</b>	<b>SUPPLEMENTARY BUDGET</b>	<b>CAPITAL CHARGES</b>	<b>REVISED BUDGET</b>	<b>CODE</b>	<b>CURRENT OUTTURN FORECAST</b>	<b>FORECAST VARIANCE</b>
<b>£</b>	<b>£</b>		<b>£</b>		<b>£</b>	<b>£</b>
2,256,900			2,256,900	86A1	REVENUE COLLECTION / BENEFITS	2,191,700 (65,200)
370,780		1,600	369,180	86A2	ELECTIONS & ELECTORAL REGISTRATION	366,210 (2,970)
903,420			903,420	86A3	CORPORATE	863,670 (39,750)
240,710		31,170	209,540	86A4	CIVIC CEREMONIALS	278,240 68,700
896,410			896,410	86A5	DEMOCRATIC REPRESENTATION	881,150 (15,260)
1,016,670			1,016,670	86A6	GRANTS/CENTRAL SUPPORT/CONSULTATION	1,016,670 0
409,890			409,890	86A7	UNAPPORTIONABLE OVERHEADS	465,330 55,440
1,148,240		6,610	1,141,630	86A8	CHIEF EXECUTIVE SERVICES	1,008,440 (133,190)
41,960			41,960	86A9	STRATEGIC/COMMUNITY PARTNERSHIPS	47,020 5,060
3,312,320		97,710	3,214,610	86B1	TREASURY SERVICES	3,198,600 (16,010)
233,950			233,950	86B2	INTERNAL AUDIT	170,510 (63,440)
892,920		3,370	889,550	86B3	HUMAN RESOURCES	873,660 (15,890)
641,500			641,500	86B4	LEGAL SERVICES	640,270 (1,230)
2,442,750	12,000	135,300	2,319,450	86B5	CORPORATE CUSTOMER SERVICES	2,505,950 186,500
2,094,490		410,220	1,684,270	86B6	IT SERVICES	1,585,620 (98,650)
143,630			143,630	86B7	DIRECTOR CORPORATE SERVICES OFFICE	32,070 (111,560)
<u>17,046,540</u>	<u>12,000</u>	<u>685,980</u>	<u>16,372,560</u>		NET EXPENDITURE BEFORE INTERNAL RECHARGES	<u>16,125,110</u> <u>(247,450)</u>
(10,951,760)			(10,951,760)		LESS INTERNAL RECHARGES	(10,951,760) 0
<u>£ 6,094,780</u>	<u>£ 12,000</u>	<u>£ 685,980</u>	<u>£ 5,420,800</u>		NET EXPENDITURE	<u>5,173,350</u> <u>(247,450)</u>
					<b>Transfers to/from Earmarked Reserves:</b>	
					Redundancy reserve	(95,280)
						<u><u>(342,730)</u></u>
					<b>OVERALL FORECAST EXPENDITURE FOR THE YEAR AFTER MOVEMENTS TO/FROM RESERVES</b>	<u><u>5,078,070</u></u>

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2012/13  
CAPITAL MONITORING TO 30 SEPTEMBER 2012

		2012/13 Capital Programme	2012/13 Spend	2012/13 Forecast Spend	2012/13 Budget to be Carried Forward to Future Years	2012/13 Programme Variances Under/(Over)
		£	£	£	£	£
<b>5RESC</b>		<b>CORPORATE SERVICES</b>				
		<b>ELECTRONIC CITY</b>				
7RELEC						
Z1507	B ARJ00N	1,880	0	1,880		0
Z1510	B ARJ00N	39,930	23,190	39,930		0
Z1529	B ARJ00N	64,000	0	0	64,000	0
Z1544	B ARJ00N	37,500	15,800	37,500		0
Z1550	B ARJ00N	178,010	52,410	178,010		0
Z1551	B ARJ00N	25,000	25,460	25,000		0
7REXCE						
Z1245		261,000	0	261,000		0
		<b>607,320</b>	<b>116,860</b>	<b>537,520</b>	<b>64,000</b>	<b>0</b>
		<b>CORPORATE SERVICES TOTAL</b>				

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## EXETER CITY COUNCIL

### SCRUTINY COMMITTEE - RESOURCES 21 NOVEMBER 2012

#### INTERNAL AUDIT WORK – 1st HALF-YEAR 2012/13

#### 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 2012/13 Audit Plan was approved at this Committee's 21 March 2012 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 **Creditors** – an audit was carried out to identify any duplicate payments made to suppliers during 2011/12. Thirty three duplicate payments were identified totalling approximately £26K. Of these, 17 payments totalling approximately £23K had already been identified during the year and refunds obtained from the suppliers. 16 payments totalling approximately £3K had not been previously identified and action has now been taken to recover the money.

In 25 of the 33 cases, the invoice numbers had been input incorrectly, in 8 cases a different supplier number had been chosen for each invoice resulting in them bypassing the system control that prevents duplicates from being processed.

- 3.3 **Housing** - this audit is broken down into sub-systems, the areas audited were:

- 1) Private Sector Leasing (PSL) – the audit included a review of the following areas:
- procurement of new properties
  - nomination and sign up of new tenants
  - payments to landlords
  - reactive repairs and recharges
  - void properties and repairs
  - re-charges to tenants and landlords
  - recovery

The audit was completed and the draft report issued in October, therefore, the results of this audit will be reported at this Committee's March 2013 meeting.

2) Housing Tenancy Fraud - the audit included a review of the following areas:

- policies and procedures
- prevention of tenancy fraud
- raising public awareness and encouraging report
- reporting of tenancy fraud
- detection of tenancy fraud
- authorised subletting and lodgers
- investigation, enforcement and sanction
- reports to management and members on unlawful subletting and tenancy misuse

Whilst undertaking the audit, it was found that the Neighbourhood Management Officers are currently undertaking a tenancy audit (commenced January 2012) on 193 council properties. The main aim of the audit is to identify the potential level of tenancy fraud in the council's whole stock. In view of this, the audit also included a review of the processes used to carry out the tenancy audit. Twenty four Medium risks were reported, twenty one of which were accepted. Based upon the testing and the response of management in accepting the recommendations, once the agreed controls have been introduced this sub-system's internal controls will be good.

3.4 **Housing benefits** – this audit is broken down into sub-systems and an audit of the subsidy claim was undertaken.

The housing benefits subsidy claim for 2011/12 is over £46 million, therefore, even a 1% reduction (£460,000) in the payment due to erroneous data, would have a significant financial affect on the Council. Accordingly, in addition to the checks undertaken by Benefits' staff, quarterly audits are undertaken on samples of data input to check their accuracy and identify any ongoing problems so that they can be immediately addressed.

The audit reviewed the subsidy claim for:

Q3 and 4 2011/12 – 2 High risks and 3 Medium risks were reported. The recommendations in respect of the High risks and 1 of the Medium risks were agreed.

Q1 and 2 2012/13 - the audit was completed and the draft report issued in October, therefore, the results of this audit will be reported at this Committee's March 2013 meeting.

3.5 **Computers** – this audit is broken down into sub-systems. An audit of the Service Desk was undertaken which included a review of the following areas:

- service desk framework and procedures
- information recording
- how requests are schedules, allocated, prioritised and processed
- monitoring of the effectiveness of the system
- work programs in place to prevent problems and incidents occurring

The audit was completed and the draft report issued in August, however, immediately following the issue of the draft report, the manager went on long term sick. He has now returned to work and the report is due to be finalised shortly therefore, the results of this audit will be reported at this Committee's March 2013 meeting

- 3.6 **Main accounting** – 2011/12 (part 2) – the audit included a review of the following areas:
- policies and procedures
  - feeder systems - examining systems that feed into the main financial system to check that the correct data has been received at year end
  - suspense and holding accounts – to ensure payments are paid over promptly and completely
  - bank reconciliations - to check the balances match the final accounts.
  - capital accounting - examining procedures to check valuations were completed using appropriate guidance and that balances shown in the final accounts reconcile with the asset register
  - final accounts - examining the final accounts to check they were completed on time according to the recommended standards

Five Medium risks were identified, all but one of the recommendations were accepted. Based upon the testing and the response of management in accepting the recommendations, once the agreed controls have been introduced this system's internal controls will remain good.

- 3.7 **Payroll** – the audit was completed and the draft report issued in October, therefore, the results of this audit will be reported at this Committee's March 2013 meeting.

- 3.8 **Tourism Services** – the Council has a tourism service providing the following facilities and services:

- core tourism function which includes managing the Heart of Devon Tourism partnership
- Exeter Visitor Information and Tickets (EVIT)
- Underground passages
- Quay House
- Red coat guided tours

At the request of the Tourism Development Manager an audit was undertaken to check that all the facilities were operating to the correct policies and procedures. Twenty two risks were reported, and all but one of the recommendations were accepted. Based upon the testing and the response of management in accepting the recommendations, once the agreed controls have been introduced this system's internal controls will be good.

- 3.9 **Waterways** – at the request of the Waterways Manager, the audit consisted of:
- undertaking a walk-through of the current processes
  - assessing the level of controls in place
  - recommending alternative ways of working to improve both customer service and service efficiency

The outcomes of the audit then fed into the review of the Waterways terms and conditions being undertaken within the service. Eight High and Medium risks were reported and 18 Low risks, all the recommendations were accepted. Based upon the testing and the response of management in accepting the recommendations, once the agreed controls have been introduced this system's internal controls will be good.

3.10 **Health & Safety** – this audit is broken into sub-systems. Display Screen Equipment (DSE) and Personal Protection Equipment (PPE) & Respiratory Protection Equipment (RPE) audits have been undertaken.

- 1) DSE audit – The Council is committed to meeting the requirements of the Health & Safety (Display Screen Equipment) Regulations 1992, as amended by the Health and Safety (Miscellaneous Amendments) Regulations 2002. In this respect, the Council requires all Display Screen Equipment (DSE) users to undertake training and to complete a DSE assessment annually. The audit consisted of:
  - testing the controls in place to ensure that all qualifying staff have completed a DSE assessment at least annually
  - undertaking a walk-through of the electronic process to check that it works as set out in the procedures
  - reviewing policies and procedures to make sure they are up to date
  - discussing DSE assessment responsibilities with line managers

Sixteen risks were reported and all the recommendations were agreed by management, once the agreed controls have been introduced this system's internal controls will be good.

- 2) PPE and RSE audit – the audit consisted of:
  - identifying type of PPE or RPE that has been issued, to whom and when
  - examining the process for guidance and training of staff
  - checking whether equipment is serviced in accordance with manufacturer's guidance
  - whether checks are undertaken to ensure staff are wearing equipment issued to them

Six risks were reported and all the recommendations were agreed by management, once the agreed controls have been introduced this system's internal controls will be good

#### 4. **PERFORMANCE MONITORING**

4.1 Internal audit is currently working on target to complete the annual audit plan.

4.2 Internal Audit has performance measures in place regarding timescales for issuing reports and audit follow-ups. To date most reports have been issued and audits followed up within the performance targets set, where targets have been missed this has been due to slow responses by the auditees.

#### 5. **RECOMMENDATION**

5.1 That the Internal Audit Report for the 1<sup>st</sup> half-year of 2012/13 be received.

ASSISTANT DIRECTOR FINANCE

STRATEGIC DIRECTOR

## EXETER CITY COUNCIL

### SCRUTINY COMMITTEE – RESOURCES 21 NOVEMBER 2012

#### CORPORATE COMPLAINTS MONITORING

##### 1. PURPOSE OF REPORT

- 1.1 This report presents a summary of complaints and other recorded feedback received by the Council from the public during the financial year 2011/12.

##### 2. BACKGROUND

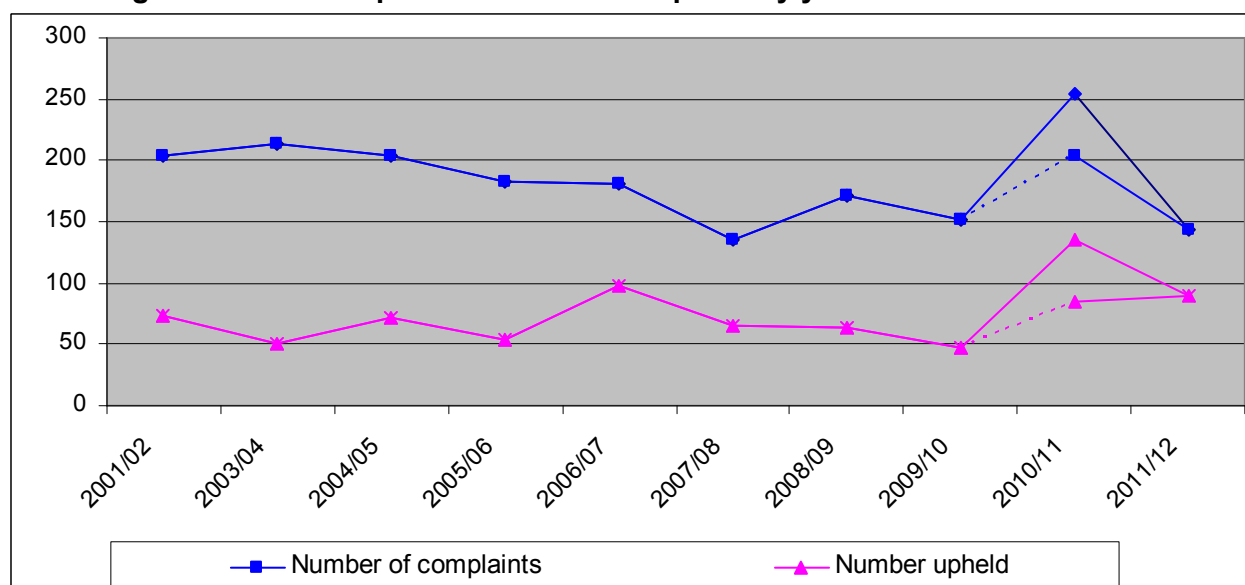
- 2.1 Corporate complaints are those where the customer is complaining about dissatisfaction with a service rather than a request for service. For example, if a customer complains about a fly tipping incident this would be considered as a request for a service to remove the items. If however the Council failed to remove the items and the customer complained then this would be considered as a corporate complaint about the level of service we have provided.
- 2.2 All corporate complaints are recorded and tracked by the Complaints Monitoring Officer to ensure that they are investigated and responded to in a timely way and to allow analysis of trends.

##### 3. RESULTS

###### **Total Number of Complaints Received and Number Upheld**

- 3.1 During 2011/12, a total of 144 complaints were received under the Council's corporate complaints procedure. This is a decrease of 44% on 2010/11 when 255 complaints were received.
- 3.2 At the same time the percentage upheld increased from 53% in 2010/11 to 62% in 2011/12.
- 3.3 The increase during the previous year was largely accounted for by Planning where 52 complaints were received about the same issue. The chart below shows both scenarios with the dotted line representing the total without the block of single issue complaints.

**Figure 1: Total complaints and number upheld by year**



### Breakdown by Service

- 3.4 Housing received the highest number of complaints during 2011/12 with 38. This is a 6% increase on 2010/11 when the service received 36 complaints. The majority of these related to Housing Needs and Landlord Services with 29 of those relating to the standard, or lack, of service. Following investigation only 10 Housing complaints were found to be justified or part justified.
- 3.5 Operational Services and Transport received 31 complaints during 2011/12 which is a 42% decrease on 2010/11 when they received 53 complaints. The majority of the 2011/12 complaints related to related to Parking Services (28) of which 8 were complaints related to dissatisfaction with Penalty Charge Notice appeals. Other reasons included car park signage, malfunctioning car park machines, car park prices and staff behaviour. Following investigation 36% of the complaints were found to be justified or part-justified.
- 3.6 The service that received the third highest number of complaints during 2010/11 was Treasury with 28. The majority of these related to the standard of service in Revenues (20) but only 5 were found to be justified or part-justified.

### Ombudsman

- 3.7 In 2011/12, the Local Government Ombudsman made decisions on 13 complaints and none of these were upheld. Six of the investigations were related to Housing and the rest concerned Planning, Environmental Health and Highways and Transport.

### Improvements to Services

- 3.8 Wherever improvements have been identified as a result of complaints, these are also recorded. Examples for 2011/12 include:
- Following a complaint about the standard of information available on mutual exchanges in council housing, the leaflet has been revised and is automatically sent out with all applications.



- A customer complained about an error in debiting their account for a Council Tax bill. It was found that information had not been properly passed from Housing Benefits to the Council Tax team. Staff have been reminded of the importance of following the procedures that are in place.
- A customer complained about the attitude of some staff in the Customer Service Centre. All staff were reminded about the importance of being polite and helpful at all times to customers. The complainant later wrote to thank the council for dealing with the issue and to compliment the Centre on the usually excellent service.
- A complaint about an election canvasser being too assertive with vulnerable residents resulted in reminders to canvassers about respect and polite behaviour. In future Devon Social Services will also be notified when the canvassing will be happening so that they can ensure their staff are able to assist vulnerable residents with filling out their returns.

### **Complainant Satisfaction and Equalities Monitoring**

- 3.9 In previous years figures for complainant satisfaction and equalities monitoring returns have been too small to make any useful analysis. Following research into how other councils gather this information, a survey has been developed which is automatically sent out to all complainants two weeks after the closure of the case. The responses are analysed by the Policy Unit to help make further improvements.
- 3.10 During 2011/12 31 surveys were returned which equates to a 22% response rate. Respondents range from 21 to 68 years of age and the gender and disability responses broadly reflect the population as a whole. Figures for other equality groups are too small to measure.
- 3.11 42% of respondents were dissatisfied or very dissatisfied overall with the way their complaint was handled. This figure was higher for men (54%) than for women (21%) while 57% of disabled people were dissatisfied or very dissatisfied overall.
- 3.12 There is a clear correlation between respondents who were dissatisfied with the outcome of their complaint and those who were dissatisfied and the handling of the complaint. This makes it difficult to assess whether or not there were any genuine problems with the complaints process itself.
- 3.13 Thirteen of the respondents said that they lodged their complaint via the website using the electronic form and 85% of those found this process fairly easy or very easy.

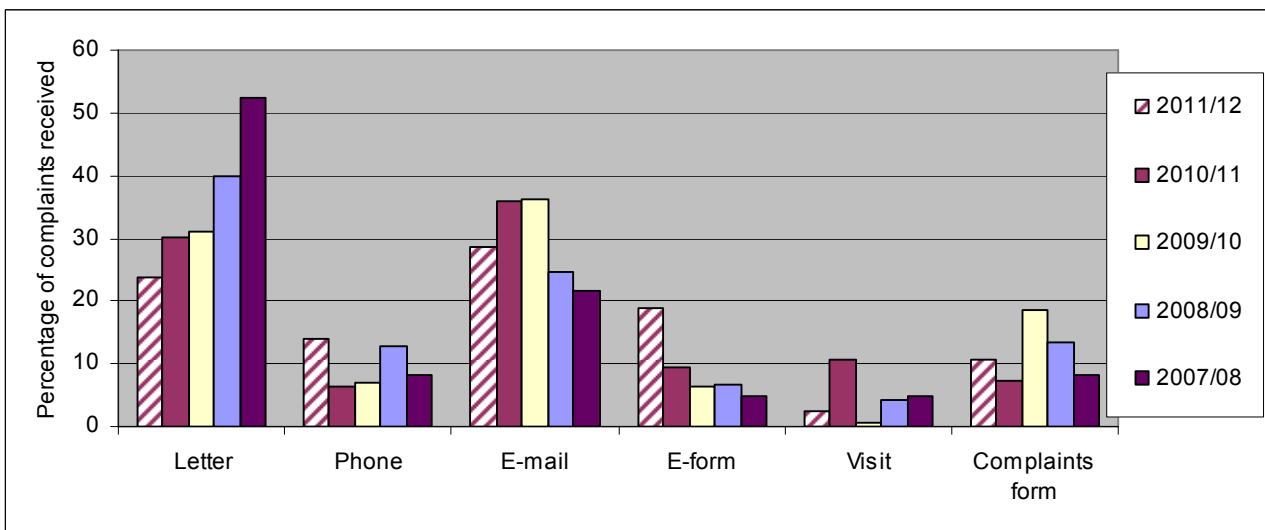
### **Response Rate**

- 3.14 The target response time for complaints is 15 working days or less. However, where complaints are complex this response time may not be achieved. For example during 2011/12 Treasury only achieved a response rate of 64% because many of the complaints they received were related to assessments and outstanding debts which took time to resolve. During 2011/12 Customer Services' response rate was only 58% because most of the complaints directed to them have cross departmental issues which take time to investigate and pull together.
- 3.15 All complaints must be acknowledged within 5 days unless a full reply can be sent immediately and where a full reply is going to take longer than 15 working days the complainant must be kept informed of progress.

## Method of Receipt

- 3.16 During 2011/12, 29% of new complaints were lodged via e-mail, while 24% were received by letter. Although this is a reduction over the last few years these two methods remain the most popular, perhaps indicating a preference for customers not to be restricted to the framework of a form. The link to the e-form has, since April 2012, been made much clearer on the Home Page of the Council's website which may help to build on its increased use over the next year.
- 3.17 The chart below shows the methods by which the Council has received complaints over the last five years.

**Figure 4: Method of Receipt**



## 4 Other types of feedback

- 2.3 In April 2011, following a review, the Council agreed to start recording other types of feedback in order to provide a better and more useful picture of customers' concerns. Up until now there has been no consistent recording and reporting of general comments and 'grumbles'.
- 4.12 General feedback such as comments, compliments and informal complaints can tell us a lot about how a service is being delivered without requiring the customer to commit to a lengthy complaint investigation. There may be a number of reasons why a customer does not want to make what they consider to be a formal complaint. For example, they may consider that their issue is not serious enough to warrant an investigation. It may be that the individual incident is quite minor but if a lot of similar comments are made across one particular service there would be a benefit in addressing it.
- 4.13 When a service receives feedback they simply pass this on to the Complaints Monitoring Officer as they would a complaint and this can be logged. Feedback is not subject to a full investigation but customers will receive a response, should they request one.

- 4.14 During 2011/12 55 feedback reports were recorded. It is difficult to detect any trends from this information as it covers a wide range of issues across services and staff behaviour and the majority of items (43) related to one directorate, Community & Environment. This is probably because the Complaints Monitoring Officer in that directorate had more success in getting officers to pass on items of feedback. The database therefore only reflects what has been recorded, not what may have been received by the Council.
- 4.15 The Complaints Monitoring Group will continue to develop the collection and analysis of the Council's corporate complaints and feedback. This will enable a clearer link to be established between complaints and service improvements and, in particular, will help the Council demonstrate that it learns from, and improves, as a result of complaints.

## **5. RECOMMENDATION**

- 5.1 That Scrutiny Committee – Resources note the report and the work being done to improve services as a result of complaints and feedback received from our customers.

## **CORPORATE MANAGER POLICY, COMMUNICATIONS AND COMMUNITY ENGAGEMENT**

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

#### **Background papers used in compiling this report:**

None.

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# Exeter City Council

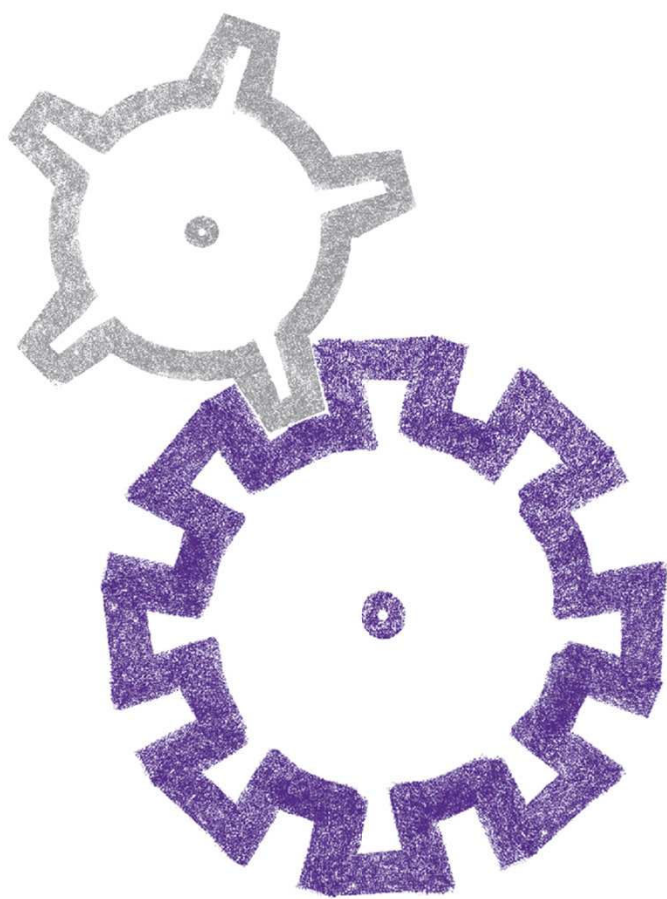
## Review of the Council's Arrangements for Securing Financial Resilience

September 2012

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## Executive Summary

### Our approach

#### Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit comprises a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

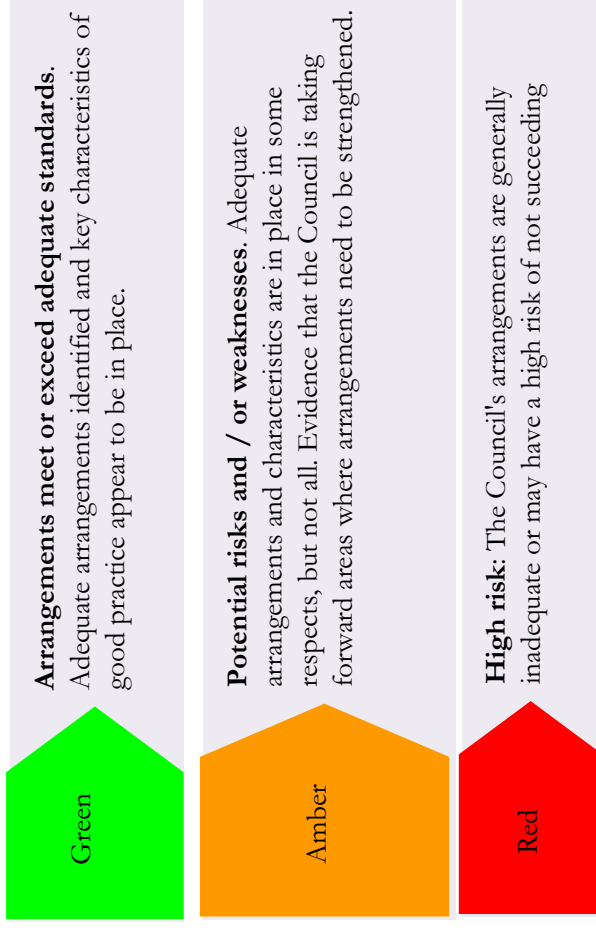
- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow.

#### Overall Conclusion

The Council has adequate arrangements in place to achieve financial resilience.

We have used a red / amber / green (RAG) rating with the following definitions.





## Executive Summary

### National and Local Context

#### National Context

The Chancellor of the Exchequer announced the Spending Review (SR10) to Parliament on 20 October 2010. This formed a central part of the Coalition Government's response to reducing the national deficit, with the intention to bring public finances back into balance during 2014/15.

The associated report published Government Departmental Expenditure Limits (DELs) for the four-year spending review period: 2011/12 to 2014/15. Communities and Local Government (CLG) funding was reduced by 26% over the period.

The CSR represented the largest reductions in public spending since the 1920's. Revenue funding to local government will reduce by 19% by 2014/15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions have been frontloaded, with 8% cash reductions in 2011/12.

The provisional Local Government Finance Settlement was announced on 13 December 2010. The final figures were announced on 31 January 2011 with the debate and approval by the House of Commons on 9 February 2011.

This follows a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007. The funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.



#### Local Context

Exeter is a historic city in the county of Devon with an estimated population of 117,800 citizens. Exeter is seen as an increasingly attractive place to do business with major firms such as the Met Office choosing to relocate to the area and the John Lewis Partnership opening a new store in October 2012, reinforcing the City's status as a major regional shopping destination. The City also has good rail, road and airport transport links and attractive shopping facilities.

The SR10 spending announcements have already required significant cuts to financial support from Government. For Exeter, this has resulted in reductions in formula grant of approximately 23% between 2010-11 and 2012-13. The Council's Executive approved its budget strategy in December 2011. This strategy set out the likely level of available resources and identified spending pressures and the revised Medium Term Financial Plan, indicating that the Council needed to further reduce its revenue budget by about £2.7m over the next four years from 2012-13 to 2015-16.



# Executive Summary

## Overview of Arrangements

Risk area	Summary observations	High level risk assessment
<p><b>Financial Resilience</b></p> <p><b>Key Indicators of Performance</b></p> <ul style="list-style-type: none"> <li>In comparison to the Audit Commission's nearest neighbours the for Council, the majority of the indicators are in line with the average and consistent with the trends indicated by other Councils.</li> <li>The Council does however have low liquidity levels compared to its nearest neighbours and will need to ensure that it monitors its liquidity levels closely during the SR10 period to ensure financial resilience is maintained.</li> <li>The Council is able to consistently deliver an underspend in a year where savings of £2.1m have been achieved and has maintained its useable reserves.</li> <li>Average sickness absence rates are reducing for the Council and remain an area of focus.</li> </ul>		 <p><b>Green</b></p>
<p><b>Strategic Financial Planning</b></p> <ul style="list-style-type: none"> <li>The Council has a robust process in place for determining its Medium Term Financial Plan and annual budget.</li> <li>The Council has effective arrangements for ensuring that the MTFP and budgets are kept under regular review and are responsive to changing circumstances and emerging financial risks.</li> <li>Whilst we found that the Council has a good understanding of the key assumptions used during the financial planning process, there is scope to improve the level of sensitivity analysis and scenario planning within the MTFP to assess the potential impact on the Council of changes in key economic factors and assumptions.</li> </ul>		 <p><b>Green</b></p>

## Executive Summary

### Overview of Arrangements

Risk area	Summary observations	High level risk assessment
<b>Financial Resilience</b> <b>Financial Governance</b>	<ul style="list-style-type: none"><li>The Council has strong financial stewardship arrangements in place at both directorate and committee level.</li><li>There is an appropriate level of senior management and member level engagement in the financial management process with good engagement with stakeholders.</li><li>Whilst the Council has a good awareness of those service areas which are high cost and/or are under performing, there does not appear to be a routine mechanism for monitoring and understanding unit costs within services, for example through use of benchmarking.</li><li>The Council has historically managed its budgets well and delivered good financial performance. Timely, informative budget return information is provided to officers and members, highlighting those areas where issues have been identified and required action is needed.</li></ul>	 <b>Green</b>
<b>Financial Control</b>	<ul style="list-style-type: none"><li>The Council has well established budget setting processes that encourages ownership from budget holders supported by appropriate training provided to officers and members. The Council has a good track record in managing budgets on a service by service basis.</li><li>Delivery of in year savings has been effectively managed, enabling the Council to achieve 90% of the planned savings identified which supported the delivery of a small underspend of £92,528 on the General Fund budget.</li><li>Overall, we have concluded that that the Council generally has good systems of internal control and its Internal Audit Service comply with the requirements set out in CIPFA's Code of Practice for Internal Audit. Whilst some improvement opportunities were identified in our interim audit report, these were not considered significant matters that would prevent us from taking assurance from their work.</li></ul>	 <b>Green</b>

## Executive Summary

### Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
<b>Strategic Financial Planning</b>	<ul style="list-style-type: none"> <li>The published MTFP should include sensitivity analysis and scenario planning to model the potential impact of changes in key assumptions.</li> </ul>	Assistant Director Finance	February 2013	Agreed - The MTFP model used for the 2013/14 budget will incorporate sensitivity analysis based upon different scenarios
<b>Financial Governance</b>	<ul style="list-style-type: none"> <li>The Council should look to ensure that key service unit costs are identified for external benchmarking and, where there are gaps in sources of benchmarking, the Council works with other local authorities to establish new benchmarking groups.</li> </ul>	Assistant Director Finance	January 2013	Agreed - The Council has already in the past made use of benchmarking costs using information published by the Audit Commission. It has also made use of benchmarking for key services including revenues and benefits and housing. We will build upon this existing work to see if other key services can be benchmarked from other sources.

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- Appendix - Key indicators of financial performance

## Key Indicators

### Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

- Working capital ratio
- Useable Reserves: Gross Revenue Expenditure
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget

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We have used the Audit Commission's nearest neighbours benchmarking group for the Council comprising the following authorities:

**Warwick District Council**  
**Rushmoor Borough Council**  
**Cambridge City Council**  
**Watford Borough Council**  
**Wyre Forest District Council**  
**Carlisle City Council**  
**City of Lincoln Council**  
**Oxford City Council**  
**Worcester City Council**  
**Colchester Borough Council**  
**Ipswich Borough Council**  
**Cheltenham Borough Council**  
**Gloucester City Council**  
**Taunton Deane Borough Council**  
**Preston City Council**




The relevant graphs and charts to support the Council's performance for each of these indicators is set out in the Appendix at the end of this report.

## Key Indicators

### Overview of performance

Area of focus	Summary observations	Assessment
<b>Performance Against Budget</b>	<ul style="list-style-type: none"> <li>The 2011-12 General Fund net revenue budget underspent by £92,528 based on the provisional outturn. This is in the context of the Council realising £2.181m (90%) savings and indicates a good performance for the year.</li> <li>The Housing Revenue Account (HRA) reported an overall increase in working balances of £1.875m. This was due to a significant underspend in the HRA capital programme and the fact that the capital programme has been financed from other capital resources. There has also been additional income from rents in the year.</li> <li>Capital expenditure in the year amounted to £13.123m, a reduction of £3.181m on the planned figure of £16.305m. The actual expenditure during 2011/12 represents 80.5% of the total approved for the revised Capital Programme. Spending performance has improved slightly on the previous year (79.8%).</li> <li>During the year, the Government issued a capitalisation direction to the Council allowing them to capitalise £460,157 of redundancy costs.</li> </ul>	 <b>Green</b>
<b>Reserve Balances</b>	<ul style="list-style-type: none"> <li>Between 2007-08 and 2010-11 the Council has significantly reduced the value of its useable reserves (as a proportion of Gross Revenue Expenditure) from 0.39 to 0.03.</li> <li>The Council has reported useable reserves of £17.277m as at 31 March 2012, with £4.285m representing the General Fund balance. The general fund balance of £4.285m represents 30.5% of the Council's net revenue budget for 2011-12. The Medium Term Financial Plan (MTEFP) forecasts a continued reduction to general fund levels during 2012-13, to £3.191m and is forecast to reduce to the minimum recommended level of £2m by the end of 2015-16.</li> <li>The Council had the second lowest level of useable reserves in 2010-11 of its Nearest Neighbours benchmarking group following the Council's continued use of its reserves over the last few years.</li> </ul>	 <b>Green</b>

## Key Indicators

Area of focus	Summary observations	Assessment
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>Liquidity has reduced at Exeter from 1.8:1 in 2007 to 0.5:1 in 2010. For 2007 to 2009 Exeter has followed the lower quartile trend but, in 2010, Exeter fell below the lower quartile. The Council will need to ensure that it monitors its liquidity levels closely during the SR10 period to ensure financial resilience is maintained.</li> <li>The Council's internal investment strategy has been tightly restricted to UK only banking operations which has provided the Council with challenges in relation to locating suitable investors. The Council is planning to open a Money Market Fund which is AAA rated and offers around 0.70%, and also plans to lend to other Local Authorities and the Debt Management Office. The rates of return offered range between 0.25% and 0.3%, which will continue to have an adverse impact of the interest earned by both the General Fund and the HRA.</li> <li>The Council Tax collection rate has decreased slightly in comparison with the previous year. The collection rate for 2011/12 was 97.4% compared with 97.5% in 2010/11. Sundry debtors over 30 days old have decreased over the year from £1.998m to £1.719m, a reduction of £279,000. The percentage of creditors paid within 30 days was 96.64% for 2011/12 compared with 94.35% for 2010/11.</li> </ul>	 <p><b>Amber</b></p>
<b>Borrowing</b>	<ul style="list-style-type: none"> <li>Prior to HRA self-financing settlement, the Council has historically had no long term borrowing, as such the ratio of long-term borrowing to long-term assets was 'zero' putting the Council in the lowest quartile.</li> <li>HRA self-financing reforms relating to the housing subsidy system has resulted in the Council being allocated a share of the national housing debt. The Council has made a one-off debt settlement to the Department for Communities and Local Government of £56.884m on 28 March 2012 as part of its implementation of the HRA self-financing regime. The Council has borrowed from the Public Works Loan Board to finance this settlement.</li> </ul>	 <p><b>Green</b></p>
<b>Workforce</b>	<ul style="list-style-type: none"> <li>Absence figures for 2011-12 have fallen to 6.76 days from 8.63 days last year, which is a notable improvement. The average number of sick days for public sector workers in 2011-12 was 8.6 days, per FTE.</li> <li>Given the significant organisational change that is taking place during 2011-12 and 2012-13, it is important for senior management to continue to carefully manage workforce issues as they arise and maintain a robust approach to sickness absence monitoring for the downward trend to continue.</li> </ul>	 <p><b>Green</b></p>



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**Appendices**

- Appendix A - Key indicators of financial performance

## Strategic Financial Planning

### Key indicators of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

## Strategic Financial Planning

### Medium Term Financial Plan

Area of focus	Summary observations	High level risk assessment
---------------	----------------------	----------------------------

#### Focus of the MTFP

- The SR10 spending announcements have already required significant cuts to financial support from Government. For Exeter, this has resulted in reductions in formula grant of approximately 23% between 2010-11 and 2012-13.
- The Council's Executive approved its budget strategy in December 2011. This strategy set out the likely level of available resources and identified spending pressures and the revised Medium Term Financial Plan, indicating that the Council needed to further reduce its revenue budget by about £2.7m over the next four years from 2012-13 to 2015-16.
- The Council agreed its 2012-13 revenue and capital budget in February 2012, following consultation and scrutiny. This included a revised MTFP assessment indicating required budget reductions over the four year period of £3.167m.



**Green**

#### Scope of the MTFP and links to annual planning

- The Council ensures that there is a strategic approach to financial planning through the MTFP process. This is updated on a regular basis.
- The key elements of the MTFP forms part of the Council's budget strategy that is approved by Council each year.
- Our discussions with officers indicated that, whilst individual services undertake some modelling of demand for services to understand the impact on future income and spending levels, this information is still not consolidated within the MTFP, potentially limiting Members ability to understand in detail all the challenges the Council faces in a comprehensive way.
- Whilst the MTFP is very clear on detailing the risks and uncertainties faced by the Council over the period of the plan, there is scope to develop sensitivity analysis on the key assumptions and uncertainties within the MTFP and what the potential impact could be to the Council in the event that these change over the period covered by the plan.



**Amber**

#### Adequacy of planning assumptions

- The Council's focus remains on year one of the MTFP. The MTFP sets out the key assumptions that have been made for the 2012-13 budget year and the Council's rationale supporting these assumptions.
- Assumptions in future years of the MTFP are less well defined due to continuing uncertainties relating to the Government's spending plans for 2013-14 and beyond. However, the MTFP does highlight these uncertainties and the Council's arrangements to ensure that it mitigates these as well as possible.



**Green**

## Strategic Financial Planning

### Medium Term Financial Plan

Area of focus	Summary observations	High level risk assessment
---------------	----------------------	----------------------------

- Review processes**
- The Council has good arrangements in place for keeping both the MTFP and annual budget under review.
  - Regular updates are provided to the Scrutiny Committee - Resources and both the Executive and Council on delivery against plan, anticipated risks and proposed actions where appropriate.



**Green**

- Responsiveness of the Plan**
- There is a clear recognition by management that economic factors and assumptions may change and the MTFP, budget strategy and in year budget monitoring arrangements are regularly refreshed to keep up to date with these changes.
  - The Council will need to ensure that the Plan remains responsive, given the scale of the financial challenges faced and the financial uncertainty that remains within the timeframe of the Plan. In the short term this should include retention of business rates, changes brought about by universal benefits, effective treasury management and the impact of the 10% funding reduction in Council Tax benefit.
  - The predominantly annualised approach to financial planning, with use of reserves and achieving budget targets, has served the Council well historically. Whilst medium term financial uncertainties provide some challenges to medium term financial planning, the Council needs to ensure that its strategic financial planning process continues to be fit for purpose to support them in the medium to longer term.
  - The Council has recently issued its revised "Corporate Plan 2012-14 - Building a stronger sustainable city". This corporate plan identifies the highlights of the Medium Term Financial Plan and the scale of the challenges that the Council faces in the delivery its priorities for citizens.



**Green**

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Appendix - Key indicators of financial performance

## Financial Governance

### Key indicators of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

#### Understanding

- There is a clear understanding of the financial environment the Council is operating within:
  - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
  - Actions have been taken to address key risk areas.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

#### Engagement

- There is engagement with stakeholders including budget consultations.

#### Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).

## Financial Governance

### Understanding and engagement

Area of focus	Summary observations	High level risk assessment
---------------	----------------------	----------------------------

#### Understanding the Financial Environment

- The Council has strong financial stewardship arrangements in place at both committee and directorate level. Reports are prepared for the three respective scrutiny committees on a quarterly basis to update them on financial performance relevant to their directorate. Variations to budget are highlighted and responsive actions are discussed where necessary.
- Heads of services and budget holders are well supported by the service accountants within the central finance team. Monthly meetings are held with budget holders to discuss service performance and actions required to address issues identified.



**Green**

#### Executive and Member Engagement

- There remains an appropriate level of senior management and member level engagement in the financial management process.
- The Council also engages well with its stakeholders. The Council undertook a detailed budget consultation exercise in 2011/12 to which approximately 1,500 stakeholders took part. The consultation included a survey printed in the Express and Echo which was also made available online together with use of the Council's Wavelength survey panel. The Council has undertaken a similar process for 2012/13 consisting of a budget open day together with an online budget survey. The results of this exercise has enabled the Council to identify priority areas and determined those areas where some of the required budget reductions should be targeted.



**Green**

#### Overview for controls over key cost categories



- The Council generally has a good awareness of those areas which are high cost and/or are under performing. However, there does not appear to be a routine mechanism for monitoring and understanding unit costs within services. The Council should ensure that key service unit costs are identified to enable external benchmarking and, where there are gaps in sources of information to enable benchmarking, the Council should collaborate with other local authorities to establish new benchmarking groups.
- The Council is taking action to address issues previously identified in our interim report relating to controls within the creditors system. Further action is planned to be taken as part of the Council's implementation of the upgrade to e-financials.
- Our ISA260 report has highlighted some inconsistencies in the allocation of cost of services to their appropriate headings in accordance with the Service Code of Practice (SeRCOP), compared to previous years. These misstatements arose due to the manual process that is involved in the allocation of costs and have now been corrected following the audit. We have recommended that management investigate the possibility of automating this process through the e-financial financial system in future years.



**Amber**

## Financial Governance

### Monitoring and review

Area of focus	Summary observations	High level risk assessment
<p><b>Review of accuracy of Committee/Cabinet Reporting</b></p>	<ul style="list-style-type: none"> <li>Quarterly stewardship reports are provided on a timely basis to each service scrutiny committee setting out the current and forecast outturn positions. In addition, the Scrutiny Committee - Resources receives a summary position of the financial outturn for the whole of the Council. This is then subsequently considered by the Executive and full Council.</li> <li>These reports highlight matters on an exception basis, allowing corrective action to be taken in budgets where significant variances have been identified. In addition, information is provided on performance of the Housing Revenue Account, delivery of projects within the Capital Programme and the Council's performance in debtors collection and creditor payments. The anticipated impact on reserves and balances are also forecasted.</li> <li>The Scrutiny Committee - Resources also receives reports, twice a year, on the Council's progress in achieving its savings plans for the year.</li> </ul>	<p style="text-align: center;"> <b>Green</b></p>
<p><b>Performance Management of Budgets</b></p>	<ul style="list-style-type: none"> <li>The Council has clear policies and procedures in place to support its financial monitoring processes.</li> <li>The Council has historically managed its budgets well and delivered good financial performance.</li> <li>The 2011-12 General Fund net revenue budget underspent by £92,528 based on the provisional outturn.</li> <li>The Housing Revenue Account (HRA) reported an overall increase in working balances of £1.875m. This was due to a significant underspend in the HRA capital programme and the fact that the capital programme has been financed from other capital resources. There has also been additional income from rents in the year.</li> <li>Capital expenditure in the year amounted to £13.123m, a reduction of £3.181m on the planned figure of £16.305m. The actual expenditure during 2011/12 represents 80.5% of the total approved for the revised Capital Programme. Spending performance has improved slightly on the previous year (79.8%).</li> </ul>	<p style="text-align: center;"> <b>Green</b></p>



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Appendix - Key indicators of financial performance

## Financial Control

### Key indicators of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

#### Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

#### Finance Department

- The capacity and capability of the Finance Department is fit for purpose.

#### Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

#### Internal Control

- Strength of internal control arrangements - there is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is an assurance framework in place which is used effectively by the Council and is how business risks are managed and controlled.
- The Annual Governance Statement gives a true reflection of the organisation.

## Financial Control

### Internal arrangements

Area of focus	Summary observations	High level risk assessment
<p><b>Performance Management of Budgets</b></p>	<ul style="list-style-type: none"> <li>The Council has well established budget setting processes that encourages ownership from budget holders and appropriate training is provided to officers and members. The Council has a good track record in managing budgets on a service by service basis.</li> <li>The Council has a clear budget timetable in place to support the production of its annual budgets.</li> <li>Budget holders are held to account on service budget performance and are required to report on expected outturn on a monthly basis.</li> </ul>	<p><b>Green</b></p>
<p><b>Performance against Savings Plans</b></p>	<ul style="list-style-type: none"> <li>The Council has had a good track record in delivering the required savings to achieve a balanced budget. We are pleased to report that the Council has responded to our recommendation from our previous year's findings and now separately reports its performance of the delivery of its savings plans to members twice a year.</li> <li>Latest report to members show that the Council identified £2.4 million savings whilst setting the 2011-12 budget. £2.181million (90%) of the savings have been achieved for the year and the Council has delivered a small underspend on its General Fund budget. Clear explanations have been provided where these have not been achieved.</li> </ul>	<p><b>Green</b></p>
<p><b>Finance Department resourcing and qualifications / experience</b></p>	<ul style="list-style-type: none"> <li>The Council's finance function has had some capacity challenges over the course of the year, however these do not appear to have had a significant impact on the delivery of its functions or in meeting its requirements. We have no concerns over the Council's finance team current capabilities to deliver its responsibilities effectively.</li> <li>The Council's plans to undertake a review of its finance function in the near future and as part of this process considering whether roles and responsibilities need to be changed or broadened to include areas such as capital monitoring and major projects.</li> </ul>	<p><b>Green</b></p>

## Financial Control

### Internal and external assurances

Area of focus	Summary observations	High level risk assessment
---------------	----------------------	----------------------------

**Summary of key financial accounting systems**

- The Council has well established systems and procedures for producing reliable financial monitoring and forecasting information, which is used to support decisions.
- With the exception of matters already raised in respect of the creditors system, we have not identified any significant concerns on the adequacy of the Council's key financial systems.
- An internal audit plan is in place which provides regular assessment of the adequacy of the Council's financial systems. No significant concerns have been highlighted from their work.
- The Council has highlighted some inadequacies with its current accounting system software whereby it has had to implement manual workarounds in order to deliver its functions appropriately. This includes asset recording for the fixed asset register and journals authorisation. The Council continues to work with neighbouring councils and the finance software provider to explore solutions to these issues.

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Green

**Internal audit arrangements including compliance with CIPFA Code of Practice for Internal Audit**

- During the past year there have been changes to the internal audit service at the Council. The Head of Internal Audit retired at the end of February 2012 and the internal audit department now directly reports to the Assistant Director of Finance. We highlighted in our interim report to the Council in May 2012 that this increases the risk that internal audit is not seen to be independent of the Council's operating management, as required by the CIPFA Internal Audit Standards, as a significant proportion of the reviews undertaken are related to systems and controls operating within the Assistant Director of Finance's department. However, we recognise that this risk is mitigated, to an extent, through internal audit having access to the Chief Executive if any sensitive issues are identified.
- Our review of a sample of two internal audit's files as part of our interim audit identified that there was limited evidence on files to support the sampling undertaken and the sample sizes chosen did not provide adequate coverage of the population. In addition, walkthroughs of the systems have not routinely been documented. With these exceptions, we have concluded that the Council's Internal Audit Service comply with the requirements set out in CIPFA's Code of Practice for Internal Audit.



Amber

## Financial Control

### Internal and external assurances

Area of focus	Summary observations	High level risk assessment
---------------	----------------------	----------------------------

#### External audit arrangements and programme of activities

- The key areas for action from the most recent Annual Audit Letter noted that the Council should take action to further improve it arrangements as follows:
  - The medium term financial position remains extremely challenging as the Council seeks to maintain financial balance whilst facing significant demand pressures. The reduction in the formula grant of 13.8% has meant £2.4 million of savings are required in 2011/12 to achieve a balanced budget. Whilst the Council has a good track record of managing and achieving its budget, there is a need for continued and formal reporting in the delivery of the savings plan to members.
  - The Council should continue to closely monitor the completion of the Royal Albert Memorial Museum (RAMM) project to both revised budget and timescale to minimise the potential for further slippage.
  - The Council is responsive to external audit recommendations. The Council has included responses to actions raised in our reports in previous years and has made good progress in implementing recommendations.



Green

1 Executive Summary

2 Key Indicators

3 Strategic Financial Planning

4 Financial Governance

5 Financial Control

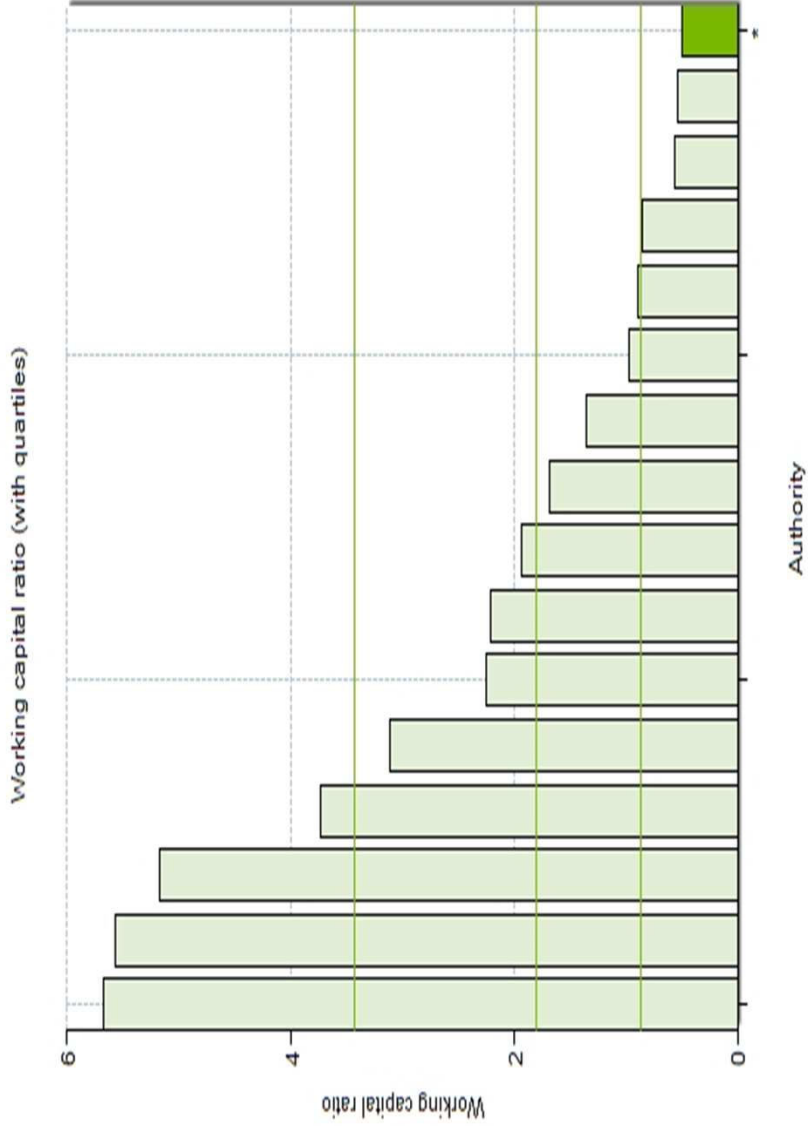
Appendix - Key indicators of financial performance

## Key Indicators of Financial Performance

### Working Capital - Benchmarked

#### Definition

The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities - i.e. those liabilities to be met over the next twelve month period. A ratio of assets to liabilities of 2:1 is usually considered to be acceptable, whilst a ratio of less than one - i.e. current liabilities exceed current assets - indicates potential liquidity problems. It should be noted that a high working capital ratio isn't always a good thing; it could indicate that an authority is not effectively investing its excess cash.

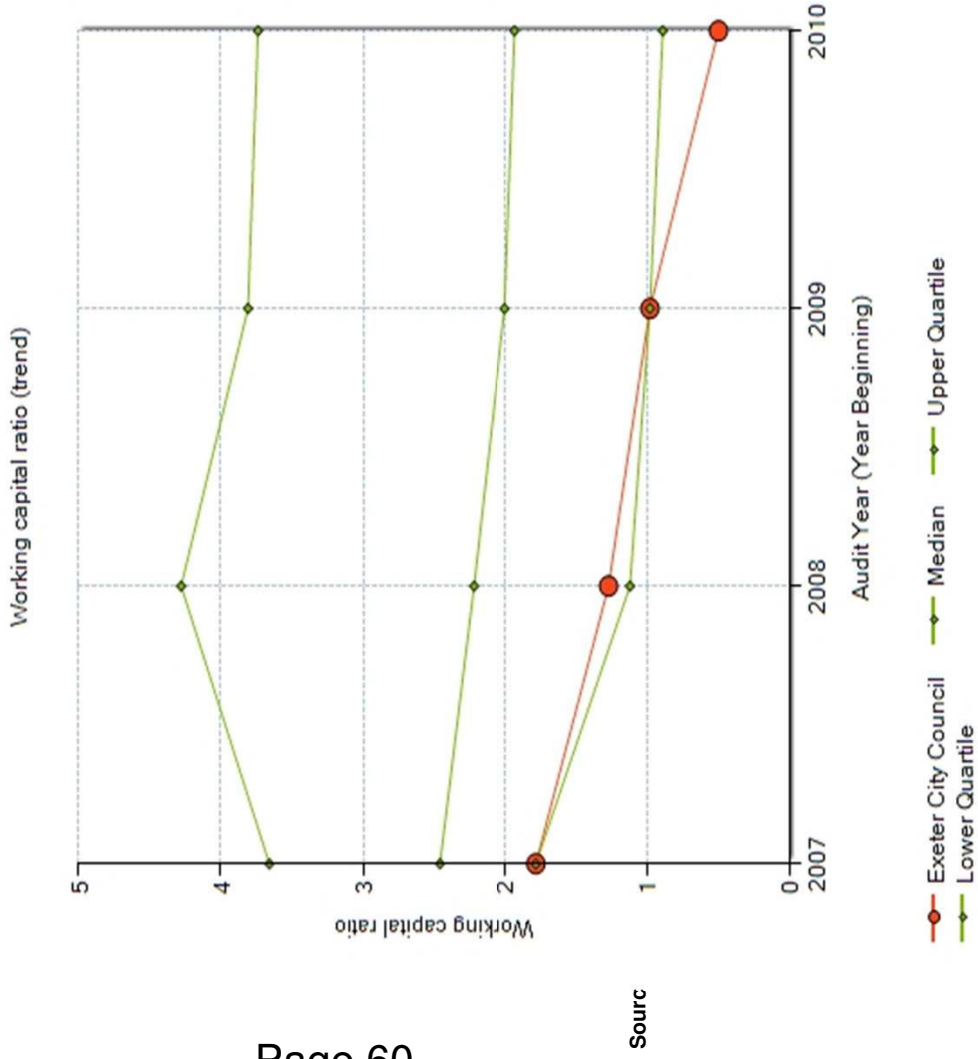


#### Findings

Exeter City Council currently has a working capital ratio of 0.5:1 which is below the level considered to be acceptable. It is also the lowest performer in comparison with its statistical nearest neighbours i.e. those considered most like the Council. The position has deteriorated from 2009/10 where the ratio was 0.98:1.

## Key Indicators of Financial Performance

### Working Capital - Trend



Source

### Findings

Trend analysis for working capital again demonstrates that Exeter City Council's liquidity has decreased over the last few years.

Their position has deteriorated which is in line with the overall trend for the comparator group. However, it should be noted that Exeter's performance has deteriorated at a greater rate. This has resulted in them moving from the median quartile to the lower quartile between 2008 and 2010.

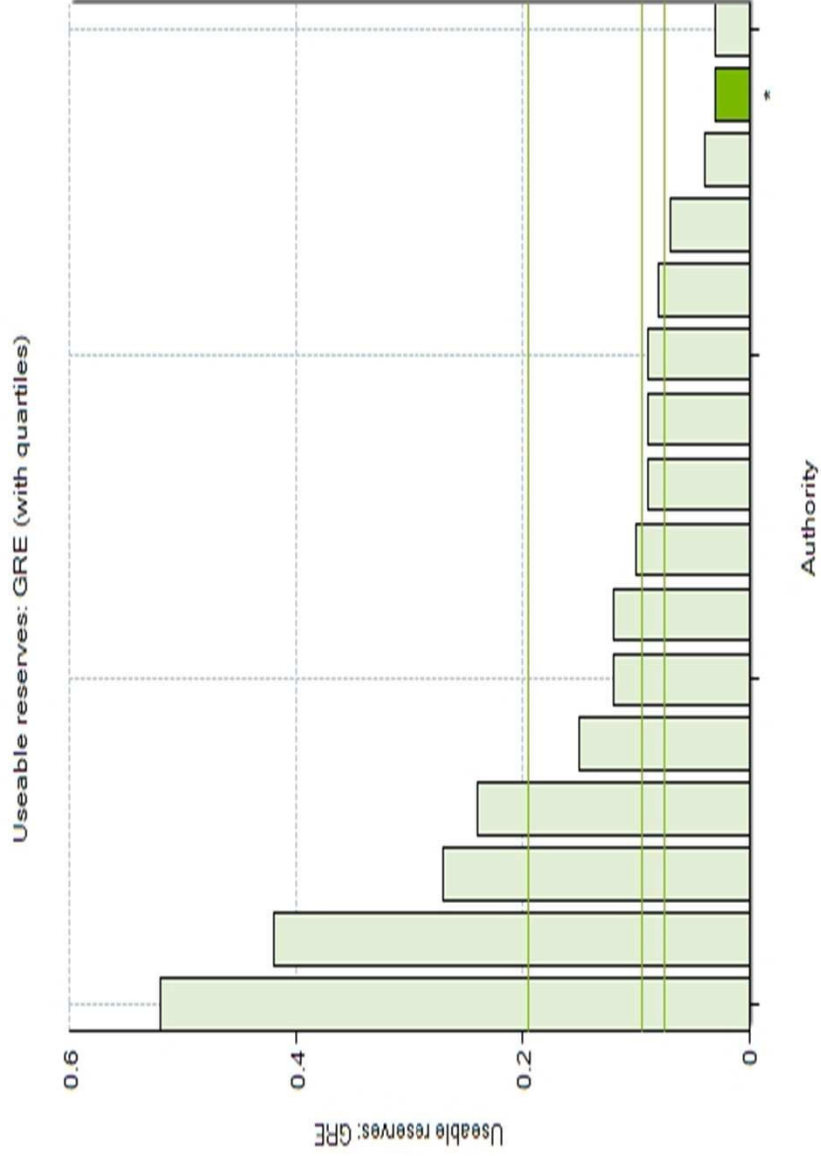


## Key Indicators of Financial Performance

### Useable Reserves - Benchmarked

#### Definition

This shows useable capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

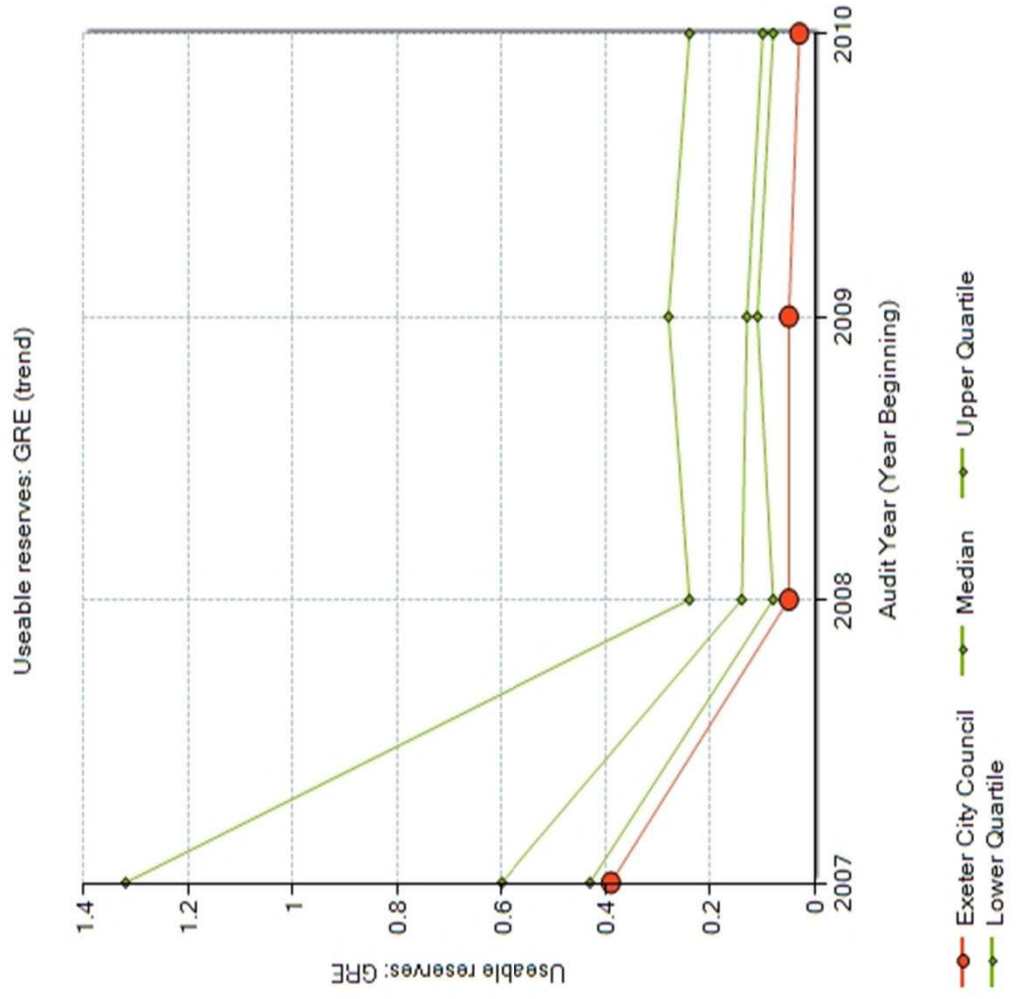


#### Findings

From 2009/10 Exeter has reduced the value of its useable reserves, from 0.05 to 0.03 in 2010/11. The majority of Councils have seen their performance deteriorate over the past year. The overall performance of Exeter City Council is below average and is in the lower quartile.

## Key Indicators of Financial Performance

### Useable Reserves - Trends



### Findings

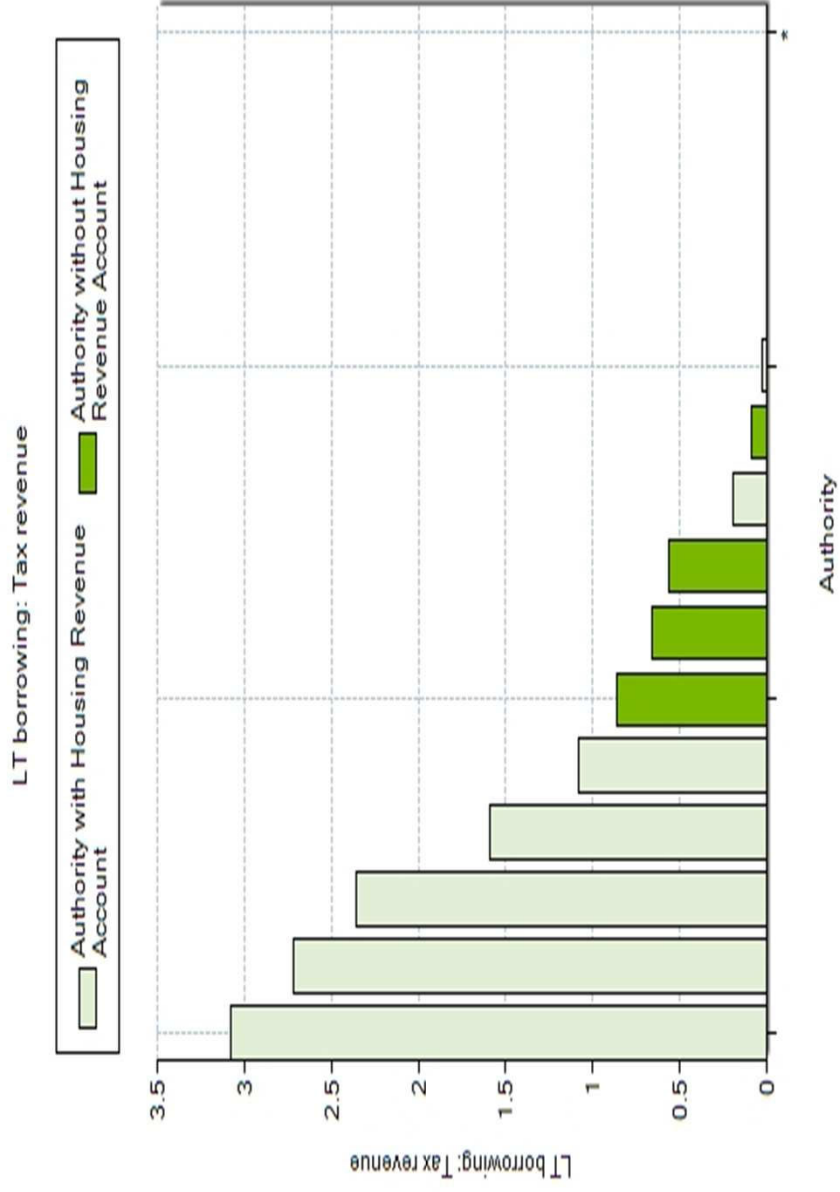
Exeter City Council's useable reserves as a percentage of general gross revenue expenditure has remained fairly stable over the past three years which mirrors the performance of the comparator group as a whole. Exeter City Council have remained in the lower quartile for the past four years.

## Key Indicators of Financial Performance

### Long Term Borrowing to Tax Revenue - Benchmarked

#### Definition

Shows long term borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds council tax revenue.



#### Findings

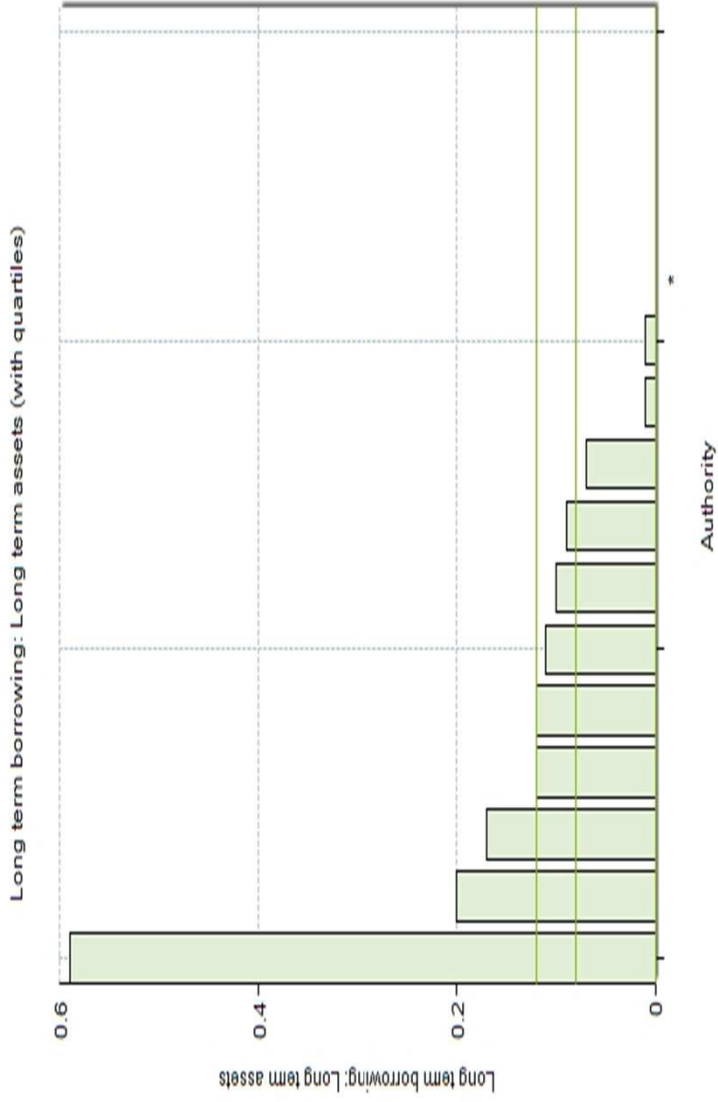
Exeter City Council's ratio of zero is as a result of having no long term borrowing in 2010-11 which is consistent with previous years. Exeter's performance is well above the average for the group and they are one of a number of Council's to have a ratio of zero.

## Key Indicators of Financial Performance

### Long-term borrowing to Long-term assets - Benchmarked

#### Definition

This ratio shows long term borrowing as a share of long term assets. A ratio of more than one means that long term borrowing exceeds the value of long term assets.



#### Findings

Exeter have a ratio of zero as a result of having no long term borrowing in 2010-11 which is in line with previous years. The majority of Councils within the comparison group have a ratio of 0.2:1 or less which indicates that there are few issues that will arise.

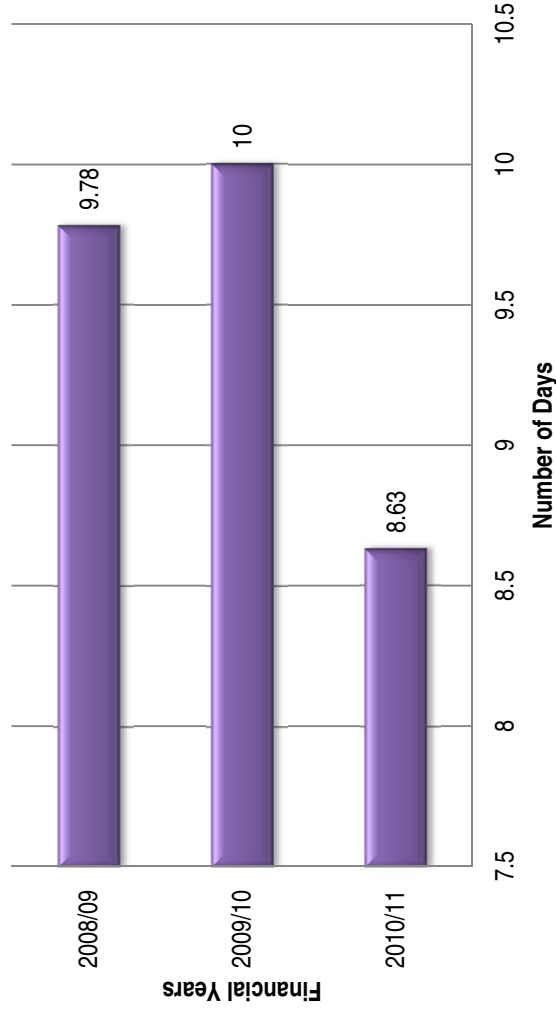
## Key Indicators of Financial Performance

### Sickness Absence Levels

#### Background

- The average sickness absence level for the public sector is 8.6 days per FTE, whilst the private sector average is 6.6. Many councils have taken a proactive approach to reducing the number of days lost to sickness each year. For example:
- Costs that accrue from sickness absence relate to the hiring of agency staff to cover staff gaps, or from holding a larger workforce complement than is desirable. Absence also damages service levels either through staff shortage or lack of continuity. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit. Absence management will be a particular challenge for all authorities during SR10, given the context of significant pressures on staff to deliver "more for less".

#### Sickness Absence



#### Findings

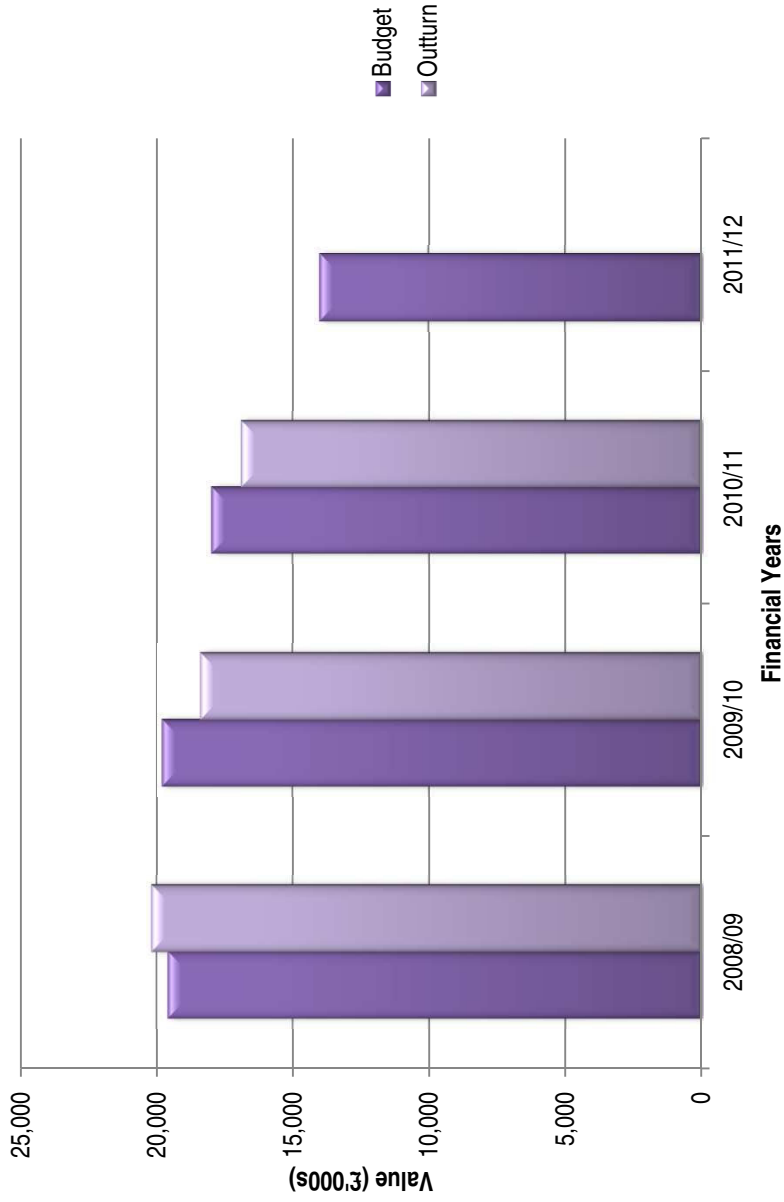
Exeter's sickness absence levels have fluctuated over the past three years, with an increase of 0.2 per FTE (2.2%) during 2009/10 and a reduction of 1.37 per FTE (13.7%) during 2010/11.

The Council's absence level during 2010/11 of 8.63 per FTE, is below the Council's target of 9.

## Key Indicators of Financial Performance

### Performance Against Budget

#### Outturn v Budget



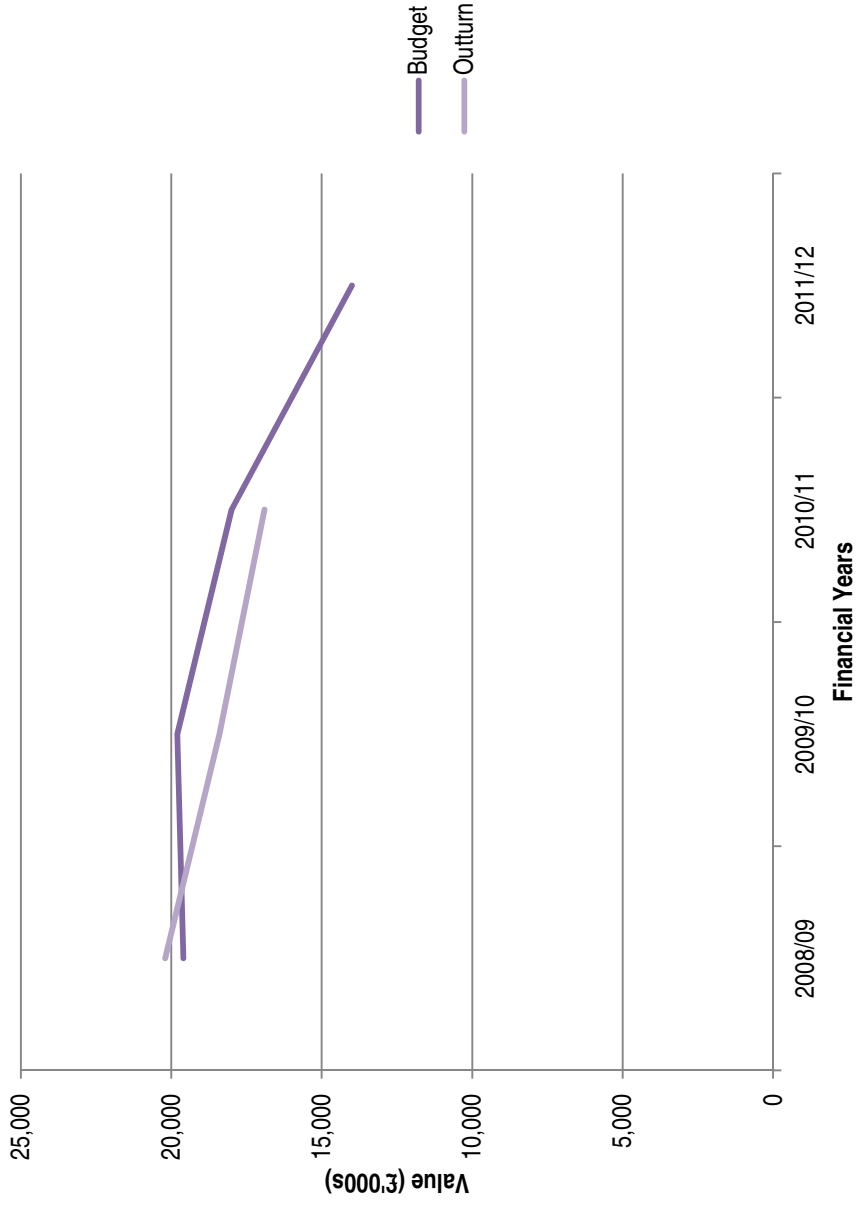
Although outturn exceeded budget in 2008/09 the Council has reported an underspend for the next two financial years. It is also noticeable that the overall budget has decreased year on year, a trend which has continued in 2011/12.

These budget reductions are in line with expectations given the continued poor performance of the national and global economy and the reduction in funding that is provided by central government.

## Key Indicators of Financial Performance

### Performance Against Budget: Track Record

#### Outturn v Budget: Trends



The downward trend is expected given the reduction in funding provided by Central Government and the requirement to provide savings on an annual basis.



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Exeter City Council

**Annual Audit Letter 2011-12**

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22 October 2012

# Contents

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## Introduction

### **Purpose of this letter**

This Annual Audit Letter ("Letter") summarises the key issues arising from the work that we have carried out at Exeter City Council ("the Council") during our 2011-12 audit.

The Letter is designed to provide a brief overview of our key messages to the Council and external stakeholders, including members of the public.

The Letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) and also on the Council's website.

### **What this Letter covers**

This Letter covers our 2011-12 audit, including key messages and conclusions from our work in:

- auditing the 2011-12 year end accounts;
- assessing the Council's arrangements for securing economy, efficiency and effectiveness to ensure Value for Money is achieved; and
- certification of grant claims and returns to various government departments and other agencies.

### **Responsibilities of the external auditors and the Council**

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to the local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ("the Code") issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

## Key Messages

### Accounts audit

We were presented with the Council's draft financial statements on 27 June 2012. Accompanying working papers were provided by the Council at the start of our final accounts visit on 30 July 2012, in accordance with the agreed timetable.

The financial statements and working papers were of a good quality and finance staff provided us with a high level of support, dealing with our audit queries efficiently, with timely responses to requests for additional information. This enabled us to complete our work and issue our draft report to those charged with governance on 5 September 2012.

We issued an unqualified audit opinion on 28 September 2012, ahead of the statutory deadline.

We recommended a small number of adjustments to the draft accounts. Management agreed to process all of these adjustments, none of which resulted in a change in the Council's General Fund balance.

We proposed a small number of recommendations where improvements could be made to the processes in place to prepare the accounts. These principally related to strengthening the Council's journal authorisation processes and the automation of processes for preparing the Comprehensive Income and Expenditure Statement in accordance with

the Service Reporting Code of Practice (SeRCOP). These actions have been agreed with the Council and we will follow up on progress as part of our 2012-13 audit.

### Our main audit conclusions for the year

The 2011-12 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.

The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

In addition, we read the both the Annual Governance Statement and the explanatory foreword to the accounts and considered whether the statement was in accordance with our knowledge of the Council. We considered these to be satisfactory in terms of content, a fair representation of Council operations during the year and in line with the Code requirements.

The Council submitted its draft Whole of Government Accounts (WGA) information for audit by the Department for Communities & Local Government (CLG) deadline of 30 July 2012. We were able to submit the audited WGA to the CLG by the deadline of 5 October 2012 based on

there being no significant issues with the quality of the information contained in the pack.

We received one question from a member of the public that impacted upon the financial statements for the year ended 31 March 2012. We have considered the points raised, as required under the Audit Commission Act 1998 and confirm that there was no significant impact upon the financial position reported in the accounts.

In 2012-13, we will discuss future accounting challenges with the Council, including planning for changes to financial reporting requirements. We will also, as in previous years, invite members of the Council's finance team to our forthcoming technical update workshops to highlight and discuss the key financial reporting changes for the 2012-13 accounts.

### **Value for Money audit**

An unqualified Value for Money (VFM) conclusion was also issued on 28 September 2012 confirming that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

As part of this work we reviewed the Council's arrangements for securing financial resilience over the medium term. Our overall conclusion was that whilst the Council faces significant financial challenges in 2012-13 and beyond, its current arrangements for achieving financial resilience are robust.

Our review did highlight opportunities for the Council to strengthen its arrangements further. Whilst we found that the Council has a good understanding of the key assumptions used during the financial planning process, there is scope to improve the level of sensitivity analysis and scenario planning within its Medium Term Financial Plan to assess the potential impact on the Council of changes in key economic factors and assumptions. In addition, the Council should look to develop a routine

mechanism for monitoring and understanding unit costs within services, for example through the use of benchmarking.

We also undertook targeted risk based work to consider the Council's progress in delivering improvements and savings through its management restructure. We have carried out a high level review to assess the extent to which the anticipated economies and efficiencies from the senior management reorganisation have been delivered and are being monitored.

As a result of this work, we concluded that the enlarged senior management team, working through the structure described by the new Corporate Plan, has helped sharpen strategic thinking in many areas, including the area that we considered in more detail, parking services. In this area, we found that the Senior Management Team had a sound understanding of the underlying principles and rationale around the different aspects of parking services. In particular, the team demonstrated the need to use tariffs creatively to balance the often contrasting requirements of businesses, retailers, shoppers and visitors alongside the requirement to support the Council's own income generation and carbon reduction targets and maintain objectives to manage highway congestion. Our review highlighted two key areas of focus for the Council over the coming months:

- Continuing to effectively manage uncertainties and anxieties amongst staff following management's review of service areas and the likely outcomes of the Vanguard reviews. Although the high level restructuring is now complete, the next task is to review staff organisation throughout service areas; and
- Addressing the potential difficulties in monitoring performance against Corporate Plan objectives. New measures and indicators devised by the Council, working with Vanguard and using a systems thinking methodology, are likely to lead to significant changes in how performance monitoring and management operates in the Council.

We will continue to review the progress in delivering the benefits arising from the restructuring as well as the specific areas of service review and performance monitoring as part of our 2012-13 programme of work.

**Certification of claims and returns**

Each year we review and certify a number of grant claims and returns in accordance with the arrangements put in place by the Audit Commission. Following the completion of the 2010-11 certification work we reported early in 2012 that performance had generally improved in comparison to previous years.

We are currently in the process of certifying the 2011-12 grant claims and returns. Once this work is complete we will report in full on the findings of our work in a separate report to the Resources Scrutiny Committee.

**Outputs and fees**

Our audit outputs and fees are shown in Appendices A and B.

**Acknowledgements**

This letter has been agreed with Council management and will be presented to Resources Scrutiny Committee on 21 November 2012.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council.

**Grant Thornton UK LLP  
22 October 2012**

## A 2011-12 reports issued

Report	Date Issued
Audit Plan	January 2012
Review of Internal Controls: Procurement Services and Grant Income	February 2012
Audit Approach Memorandum (Accounts)	April 2012
Annual Report to Those Charged With Governance (ISA 260)	September 2012
Financial Resilience Report	September 2012
Annual Audit Letter	October 2012
Grants Certification Report 2011-12	December 2012 (planned)

## B Audit and other fees 2011-12

Audit area	Budget 2011-12	Actual 2011-12
Total Code of Practice fee	£127,139	£127,139
Certification of grant claims and returns *	£20,000	To be confirmed on completion of work and reported in Grants Certification Report 2011-12
Questions and objections from the public **	£nil	To be confirmed
Non code work – Review of controls in relation to the procurement and grant income systems	£nil	£10,000

\* The quoted fee for grant certification work is an estimate only and is charged at published hourly rates.

\*\* Work on dealing with questions and objections from the public is not budgeted for and is charged at hourly rates based on Audit Commission guidance.





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## EXETER CITY COUNCIL

### SCRUTINY COMMITTEE – RESOURCES 21 NOVEMBER 2012

EXECUTIVE  
4 DECEMBER 2012

COUNCIL  
16 DECEMBER 2012

#### OVERVIEW OF CAPITAL EXPENDITURE TO 30 SEPTEMBER 2012

#### 1. PURPOSE OF THE REPORT

##### 1.1

To report the current position in respect of the Council's revised annual capital programme and to advise Members of the anticipated level of deferred expenditure into future years.

1.2 The report seeks Member approval to amend the annual capital programme, in order to reflect the reported variations.

#### 2. BACKGROUND

2.1 Local authorities are requested to estimate the total of capital expenditure that they plan to incur during the financial year when it sets the prudential indicators of the 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 In order to manage the risks associated with capital programming the annual capital programme is updated every six months, to reflect any cost variations, slippage or acceleration of projects.

2.4 It is considered timely for the capital programme to be amended mid-year to reflect the variations to individual projects, so that the impact of changes between financial years can be incorporated into the capital programme for 2012/13 and beyond and presented to Members as part of the annual budget process.

### 3. REVISIONS TO THE CAPITAL PROGRAMME

3.1 The 2012/13 Capital Programme, including commitments brought forward from 2011/12, was last reported to Scrutiny Committee – Resources on 19 September 2012. Since that meeting the following changes have been made that have increased the programme:

Description	£	Approval/Funding (%)
<b>Capital Programme, as at 19 September 2012</b>	<b>19,756,800</b>	
<b>GENERAL FUND</b>		
RAMM Redevelopment	2,200,000	Council 16 October 2012 – Borrowing
E-FIMS Upgrade	30,000	Borrowing
Parks Improvements – Cowick Barton Cycle Path	25,000	Devon CC Contribution
Parks Improvements – Matthews Hall Cycle Path	1,100	Devon CC Contribution
Disabled Facilities Grants	2,500	Capital Contribution from Housing Associations
<b>HRA</b>		
Replacement Smoke Detectors	200,000	Major Repairs Reserve
Additional HRA works	1,987,550	Executive 18 September 2012 – revenue contribution to capital
Purchase of 9 Stoke Hill Crescent and 4 Gareth Crescent	275,730	Delegated Authority - Usable Capital Receipts
LAINGS Refurbishments	5,000	Executive 3 July 2012 - Major Repairs Reserve
<b>Revised Capital Programme</b>	<b>24,483,680</b>	

### 4. REQUEST FOR ADDITIONAL FUNDING

#### 4.1 No 6 Greenhouse Belle Isle Nursery

There are Health & Safety concerns about the continued use of the largest store at Belle Isle Nursery. This, although known as No 6 Greenhouse, is used for storage of machinery and materials, whilst in the winter months provides a workshop for Parks Bench Refurbishment. It is primarily of Aluminium/Glass construction with a concrete floor. Last winter the weight of snow on the glass roof caused the supporting Aluminium Roof to become distorted and twisted resulting in a number of the aluminium supporting struts popping their rivets and glass sheets falling into the workshop. During July 2012 Capricorn Engineering repaired the roof structure at a cost of £580.00 net.

It is proposed that additional funding of £17,500 is set aside to replace the existing glass sheets with 4mm polycarbonate. This would greatly reduce the possibility of further damage this winter and would allow continued usage of the area as a workshop, removing the threat of glass sheets fracturing and falling on the operators.

#### 4.2 **City Centre Enhancements and King William Street Car Park**

Works on the London Square element of the scheme have been completed by the end of October 2012. Due to additional work to deal with utilities and delays caused by the interactions with the John Lewis contractor, this scheme will exceed the budget. The final expenditure will be agreed with the contractor by the end of November. Members will be aware of the extremely tight timetable for completing the external works in preparation for the opening of the store on 12 October. Much of the overspend will be shared 50:50 with Devon County Council.

Although the Council will be seeking to recover part of this overspend, an additional budget of £254,000 is requested as a worst case scenario for the Council.

### 5. **PERFORMANCE (Appendix 1)**

5.1 The revised capital programme for the current financial year is £24.484 million. During the first six months of the year the Council spent £6.515 million on the programme, which equates to 26.60% of the revised programme. This compares with £5.516 million (23.80%) being spent in the first six months of 2011/12.

5.2 The current programme is detailed in Appendix 1. The Appendix shows a total forecast spend for 2012/13 of £19.665 million with £1.400 million of the programme potentially deferred to 2013/14. A further £3.609 million worth of General Fund schemes are being proposed for deletion from the programme (see 5.3 below).

5.3 Based upon the forecasts after six months, Appendix 2 sets out the desired changes to the capital programme, including the proposed deletions, for the Executive to consider for approval.

### 6. **VARIANCES AND ACHIEVEMENTS**

6.1 The main variances, achievements and issues concerning expenditure in 2012/13, and that which may be deferred to 2013/14, are as follows:

#### 6.1.1 **Community & Environment**

##### ***Cultural City***

- **Parks improvements (Budget £52,760)**

A capital receipt for the completion of a cycle path will offset the overspend of £25,000.

- **RAMM Redevelopment (Budget £2,200,000)**

This additional budget was approved at Council in October 2012 to cover any outstanding liabilities in respect of the redevelopment.

***Everyone has a home***

- **22 St David's Hill Conversion (Budget £100,000)**

Negotiations are ongoing with NHS Devon and other statutory bodies to co-locate relevant rough sleeper services. This will be subject to planning consent and statutory agency commitment but it is intended that subject to planning; the agreement and therefore reconfiguration of the building will start before April 2013.

**6.1.2 Economy & Development**

***Accessible City***

- **Well Oak Footpath/Cycleway (Budget £80,150)**

The path will be completed to tie in the adjacent development. It is anticipated that this will take place in spring 2013. A budget carry forward of £40,000 will be needed in order that this work can be completed.

***Cared for Environment***

- **City Centre Enhancements (Budget £473,840)**

Please see section 4.2 above.

- **Cowick Street Environmental Works (Budget £200,000)**

The first phase of the works has been completed. Various elements of the street works are to be completed in March or April 2013. A partial budget carry forward is required for these works.

- **Exhibition Way Bridge Maintenance (Budget £45,000)**

An order has been raised for a detailed inspection of the bridge structure which should enable the full extent of the necessary repairs to be identified. It is likely that the works themselves will not take place until 2013/14. This will mean a budget carry forward in the region of £37,000 will be required.

- **Princesshay Artwork (Budget £40,000)**

It is anticipated that the artwork will be installed by Christmas 2012 with the cost being within the allocated budget.

- **Central Station Environmental Works (Budget £185,000)**

Following approval by Planning Member Working Group in July and by Devon County Council Cabinet in September of this year negotiations are in progress about lease arrangements. The detailed design stage continues to progress. Tenders for materials have been received by DCC and expenditure is anticipated in the next quarter. It is expected that contract work on the site will start in spring 2013.

### ***Excellence in Public Services***

- **Verney House (Budget £45,000)**

Works to roof covering, window surrounds and edge protection are now complete. A saving of £40,640 has been made on this project due in part to not decorating the windows as it was felt that it would not add to the energy efficiency of the building.

### ***Prosperous City***

- **Canal Basin and Quayside (Budget £406,850)**

The new Haven Road Outdoor Education Centre is currently under construction by DCC. ECQT are remarketing the listed buildings and site at the head of the Basin. ECC are looking to carry out a tree planting and seating scheme for Haven Banks and to bring forward some walkway works around the Basin in 2012/13. Works are underway to install coping stones to the walls in the Haven Road car park.

The expenditure on this scheme in 2012/13 is anticipated to be in the region of £90,000; the budget remaining will be carried forward to 2013/14 in order that the scheme can be completed.

- **Science Park (Budget £735,990)**

The main site infrastructure is nearly complete and marketing activity will now step up. Applications are being made to fund the first building and an offer of funding of £4.5million from the Local Enterprise Partnership is currently the subject of negotiation. Planning approval has been secured for the first two buildings.

## 6.1.3 Resources

### ***Electronic City***

- **Authentication Module (Budget £64,000)**

Advice is being received from the Government on improving the authentication checks on on-line systems but it is likely that the budget will need to be carried forward until next year.

## 6.1.4 Housing Revenue Account

### ***Everyone Has a Home***

- **Programmed Re-roofing (Budget £300,000)**

In order to save reactive repair costs the roofs of four properties have been replaced in order to resolve problems with multiple leaks. These properties were not included in the programmed re-roofing works for 2012-13 and have therefore been accelerated. This has resulted in a forecast overspend of £20,000, but will result in future savings in the cost of programmed works.

- **Energy Conservation (Budget £133,240)**  
 Significant further spend of this budget is pending the outcomes of a pilot to super insulate properties and identification of suitable energy efficient measures to council dwellings. It is projected that £80,000 of this budget may need to be carried forward into 2013-14 to allow time for a plan of works to be formulated.
- **Re-pointing (Budget £73,850)**  
 This budget provides for reactive re-pointing works to council dwellings in order to alleviate problems with water ingress and damp. It is anticipated that £30,000 of this budget may need to be carried forward into 2013-14, due to a lower than budgeted level of properties identified as requiring re-pointing works by the Technical Officers.
- **Communal Areas (Budget £198,110)**  
 This budget is intended to be spent on improvements to communal areas of flats including the provision of new flooring. Specifications are currently being prepared so that the tender process can commence. It is currently projected that £50,000 of the budget may need to be deferred into next financial year.
- **Structural Repairs (Budget £71,490)**  
 Major structural repairs at 13 West View Terrace are planned to be undertaken this financial year. The uncommitted balance of the budget will therefore be carried forward into future financial years to provide for major repairs to council dwellings as and when they are identified.
- **Fire Alarms at Sheltered Accommodation (Budget £140,000)**  
 The specification and tender documents are currently being prepared for fire alarms to be installed at ten sheltered accommodation sites. It is hoped that the appointed contractor will start work on site early in the new year. However, it is projected that £80,000 of this budget will need to be deferred into next financial year.
- **Rennes House Heating Replacement (Budget nil)**  
 A minor overspend will occur in 2012-13 in respect of the heating replacement at Rennes House. However, a compensating saving will be made from the Other Works budget.
- **Other Works (Budget £133,540)**  
 Additional works associated with the demolition of properties at Chestnut Avenue have been carried out and treated as revenue expenditure; as such works do not qualify as capital expenditure. The saving shown against this budget reflects the transfer of these costs to revenue plus the saving required relating to heating at Rennes House.



### **Council Own Build Capital Programme**

Following the successful completion of the Council Own Build (COB) sites at Rowan House and Knights Place, the Council now has a COB Capital Programme for developing Phase 2 and Phase 3 sites.

The options available to the Council for delivering new council housing and regeneration are currently being assessed following the introduction of self-financing. The £300,000 budget approved for the acquisition of land for the development of affordable housing is therefore unlikely to be spent until the options appraisal has been undertaken and the preferred delivery model/s identified.

## **7. RECOMMENDATION**

- 7.1 It is recommended that Scrutiny Committee – Resources, and the Executive, notes and Council notes and approves the current position in respect of the annual capital programme
- 7.2 It is recommended that Executive approve an additional budget of £17,500 in the 2012-13 General Fund Capital Programme for the replacement of the glass panes in No. 6 greenhouse, Belle Isle Nursery.
- 7.3 It is recommended that Executive approve an additional budget of £254,000 in the 2012-13 General Fund Capital Programme for the additional works in London Inn Square.
- 7.4 It is recommended that Executive approves the amendments to the Council's annual capital programme outlined in Appendix 2.

ASSISTANT DIRECTOR FINANCE

STRAGEIC DIRECTOR

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

#### **Background papers used in compiling this report:**

1. None

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**2012/13  
CAPITAL MONITORING TO 30 SEPTEMBER 2012**

	2012/13 Capital Programme	2012/13 Spend	2012/13 Forecast Spend	2012/13 Budget to be Carried Forward to Future Years	2012/13 Programme Variances Under/(Over)
	£	£	£	£	£
<b>COMMUNITY &amp; ENVIRONMENT</b>					
<b>CULTURAL CITY</b>					
Play Area Refurbishments	301,640	6,903	301,640		0
Sports Facilities Refurbishment	175,330	0	67,000	108,330	0
Parks Improvements	77,760	53,201	77,760		0
Contribution to RAMM Re HLF Parks Bid	65,200	39,107	65,200		0
Exwick Community Centre	20,880	0	20,880		0
RAMM Redevelopment	2,200,000	0	2,200,000		0
RAMM Off Site Store	40,740	0	40,740		0
Neighbourhood Parks & Local Open Spaces	34,630	11,647	34,630		0
Allotments - Toilet Replacement	23,440	84	23,440		0
Replacement of Flowerpot Skate Park	250,000	5,228	250,000		0
Refurbishment and Upgrade of Paddling Pools	200,000	62,777	200,000		0
<b>CARED FOR ENVIRONMENT</b>					
Public Toilet Refurbishment	990	0	990		0
Local Authority Carbon Management Programme	107,910	40,015	107,910		0
Improvements to Cemetery Roads & Pathways	11,950	0	0		(11,950)
Cemeteries & Churches Storage Improvements	26,330	0	0		(26,330)
Midi Recycling Banks	10,000	0	0		(10,000)
<b>EXCELLENCE IN PUBLIC SERVICES</b>					
New Technology for Cleansing	14,190	7,270	14,190		0
Belle Isle Depot - Secure Equipment Storage	11,820	11,919	11,919		99
Vehicle Replacement Programme	400,000	246,962	400,000		0
<b>HEALTHY &amp; ACTIVE PEOPLE</b>					
Disabled Facility Grants	302,280	167,812	302,280		0

**2012/13  
CAPITAL MONITORING TO 30 SEPTEMBER 2012**

	2012/13 Capital Programme	2012/13 Spend	2012/13 Forecast Spend	2012/13 Budget to be Carried Forward to Future Years	2012/13 Programme Variances Under/(Over)
	£	£	£	£	£
<b>EVERYONE HAS A HOME</b>					
Warm Up Exeter/PLEA Scheme	325,540	52	100,000		(225,540)
5 Year House Condition Survey	50,000	0	0		(50,000)
Renovation Grants	126,140	0	50,000		(76,140)
Wessex Loan Scheme	784,380	648,883	784,380		0
Glencoe Capital Works	5,670	0	5,670		0
St Loyes Design Fees	69,110	0	20,000	49,110	0
Private Sector Renewal Scheme	349,180	70,430	150,000		(199,180)
WHIL Empty Properties	200,000	200,000	200,000		0
HCA Empty Properties	100,000	0	0	100,000	0
The Haven	250,000	0	250,000		0
Social Housing Grants	1,707,630	0	0		(1,707,630)
St Paul's Church PC	100,000	0	0		(100,000)
Exwick & Foxhayes School SOS	300,000	0	0		(300,000)
Steps Acquisitions	50,000	0	50,000		0
Laings	50,000	0	0		(50,000)
11-13 Stepcote Hill	60,000	0	60,000		0
22 St Davids Hill Conversion	100,000	0	50,000	50,000	0
Hennis Project St Sidwells	32,340	0	0		(32,340)
Other Temp Accom Improvement	50,000	0	0		(50,000)
Temporary Accom Purchase	170,000	0	170,000		0
Conversion 23 Longbrook Terrace	25,000	0	0		(25,000)
Wheelchair Homes in RNSD Depot	250,000	0	0		(250,000)
Sprinklers	141,000	0	0		(141,000)
Coronation Road / Wonford Street	50,000	0	0		(50,000)
Infill Sites	350,000	0	350,000		0
Sovereign Infill - Shakespeare Road	375,000	375,000	375,000		0
Sovereign Infill - Leypark Road	135,000	135,000	135,000		0
Sovereign Infill - Residue	255,000	0	0		(255,000)
<b>SAFE CITY</b>					
Replace Digital Recording Equipment at Control Centre	48,000	0	0		(48,000)
<b>COMMUNITY &amp; ENVIRONMENT TOTAL</b>	<b>10,784,080</b>	<b>2,082,289</b>	<b>6,868,629</b>	<b>307,440</b>	<b>(3,608,011)</b>

**2012/13  
CAPITAL MONITORING TO 30 SEPTEMBER 2012**

	2012/13 Capital Programme	2012/13 Spend	2012/13 Forecast Spend	2012/13 Budget to be Carried Forward to Future Years	2012/13 Programme Variances Under/(Over)
	£	£	£	£	£
<b>ECONOMY &amp; DEVELOPMENT</b>					
<b>ACCESSIBLE CITY</b>					
National Cycle Network	30,030	26,984	30,030	0	0
Signage / Pedestrian Interpretation	31,600	30,000	31,600	0	0
Well Oak Footpath/Cycleway	80,150	1,845	40,000	40,150	0
King William Street Car Park Refurb Stage 1	197,330	195,000	197,330	0	0
King William Street Car Park Refurb Stage 2	858,260	840,166	888,260	0	30,000
<b>CULTURAL CITY</b>					
18 North Street Panelling	870	0	870	0	0
Corn Exchange Enhancements	5,110	154	5,110	0	0
Floodlighting	1,120	0	0	0	(1,120)
St Katherine's Priory Re-Roofing	74,650	470	74,650	0	0
<b>CARED FOR ENVIRONMENT</b>					
City Centre Enhancements	473,840	416,743	697,640	0	223,800
Mincinglake/Northbrook Study	11,820	9,058	11,820	0	0
Ibstock Environmental Improvements	3,240	0	3,240	0	0
Planting Improvements in Riverside Valley Park	14,320	0	0	14,320	0
Cowick Street Environmental Works	200,000	11,036	140,000	60,000	0
Exhibition Way Bridge Maintenance	45,000	0	7,500	37,500	0
Central Station Environmental Works	185,000	0	185,000	0	0
Princesshay Artwork	40,000	40,000	40,000	0	0
<b>EXCELLENCE IN PUBLIC SERVICES</b>					
Verney House	45,000	4,355	4,360	0	(40,640)
<b>LEARNING CITY</b>					
Improvements to Quay House Visitor Centre	1,470	1,084	1,470	0	0

**2012/13  
CAPITAL MONITORING TO 30 SEPTEMBER 2012**

	2012/13 Capital Programme	2012/13 Spend	2012/13 Forecast Spend	2012/13 Budget to be Carried Forward to Future Years	2012/13 Programme Variances Under/(Over)
	£	£	£	£	£
<b>PROSPEROUS CITY</b>					
Canal Basin and Quayside	406,850	0	90,000	316,850	0
Science Park	735,990	0	735,990	0	0
137 Cowick Street	33,850	29,705	33,850	0	0
<b>SAFE CITY</b>					
Security Measures for Riverside Valley Park	1,900	0	1,900	0	0
<b>ECONOMY &amp; DEVELOPMENT TOTAL</b>	<b>3,477,400</b>	<b>1,606,600</b>	<b>3,220,620</b>	<b>468,820</b>	<b>212,040</b>
<b>CORPORATE SERVICES</b>					
<b>ELECTRONIC CITY</b>					
Electronic Document Management	1,880	0	1,880	0	0
Server and Storage Strategy	39,930	23,190	39,930	0	0
Authentication Module	64,000	0	0	64,000	0
IT Development Time	37,500	15,800	37,500	0	0
PC & Mobile Devices Replacement Programme	178,010	52,410	178,010	0	0
Corporate Network Infrastructure	25,000	25,460	25,000	0	0
E-FIMS Upgrade	30,000	0	30,000	0	0
<b>EXCELLENCE IN PUBLIC SERVICES</b>					
Capitalised Staff Costs	261,000	0	261,000	0	0
<b>CORPORATE SERVICES TOTAL</b>	<b>637,320</b>	<b>116,860</b>	<b>537,520</b>	<b>64,000</b>	<b>0</b>

**2012/13  
CAPITAL MONITORING TO 30 SEPTEMBER 2012**

	2012/13 Capital Programme	2012/13 Spend	2012/13 Forecast Spend	2012/13 Budget to be Carried Forward to Future Years	2012/13 Programme Variances Under/(Over)
	£	£	£	£	£
<b>HRA CAPITAL</b>					
<b>EVERYONE HAS A HOME</b>					
Sheltered Accommodation	0		0		0
Adaptations	450,000	169,584	450,000		0
Defective Properties - British Steel	0		0		0
D/PS British Steel Properties	0		0		0
Rendering of Council Dwellings	260,000	63,002	260,000		0
Low Maint & Painting - Houses	0		0		0
MRA Fees	350,720	0	350,720		0
Environmental Improvements - Fencing	0		0		0
Communal Door Entry System	14,740	3,740	14,740		0
Environmental Improvements - General	55,060	10,531	55,060		0
Programmed Re-roofing	300,000	263,298	320,000	80,000	20,000
Energy Conservation	133,240	11,579	53,240		0
Asbestos Survey	180,000	44,717	180,000		0
Council House Extensions	0		0		0
External Walls	0		0		0
External Walls	0		0		0
Plastic Windows & Doors	20,000	6,573	20,000		0
Smoke Detector Replacements	200,000		200,000		0
LAINGS Refurbishments	5,000	0	5,000		0
Kitchen Replacements	2,663,260	438,071	2,663,260		0
Bathroom Replacements - Reactive	0		0		0
Asbestos Removal Works	325,000	131,626	325,000		0
Bathroom Replacements - Programmed	887,350	174,883	887,350		0
Development of HRA Land	0		0		0
Rennes / Farrady Fire Doors	0		0		0
Weirfield House Refurbishment	0		0		0
Other Works	133,540	6,430	125,530		(8,010)
Repainting	73,850	13,303	43,850	30,000	0
Fire Precautionary Works to Flats	331,050	148,675	331,050		0
Communal Areas	198,110	5,230	148,110	50,000	0
Structural Repairs	71,490	0	51,490	20,000	0
Fire Alarms at Sheltered Accommodation	140,000	2,491	60,000	80,000	0
Replacement Concrete Canopies	243,150	44,405	243,150		0
Rennes House Heating Replacement	0	1,670	1,670		1,670
472 Topsham Road Adaptations	55,000	54,634	54,634		(366)
Acquisition of 16 Chanter Court	75,000	75,000	75,000		0
Acquisition of Social Housing	488,280	274,380	488,280		0

**2012/13  
CAPITAL MONITORING TO 30 SEPTEMBER 2012**

Programme	2012/13 Capital	2012/13 Spend	2012/13 Forecast Spend	2012/13 Budget to be Carried Forward to Future Years	2012/13 Programme Variances Under/(Over)
	£	£	£	£	£
Programmed Electrical Re-wiring	510,000	221,587	510,000		0
Programmed Housing electrical Testing	0		0		0
Programmed Housing Electrical Testing	0		0		0
Central Heating Programme	705,940	366,973	705,940		0
Boiler Replacement Programme	260,000	144,365	260,000		0
HRA Self-Financing Payments	0				0
<b>HOUSING REVENUE ACCOUNT TOTAL</b>	<b>9,129,780</b>	<b>2,676,749</b>	<b>8,883,074</b>	<b>260,000</b>	<b>13,294</b>
<b>COUNCIL OWN BUILD CAPITAL</b>					
Phase 3 Professional Fees	135,300	27,447	135,300		0
Phase 2 St Andrews Road	19,800	4,633	19,800		0
Land Purchase	300,000	0		300,000	0
<b>COUNCIL OWN BUILD TOTAL</b>	<b>455,100</b>	<b>32,080</b>	<b>155,100</b>	<b>300,000</b>	<b>0</b>
<b>CAPITAL AND PROJECT EXPENDITURE TOTAL</b>	<b>24,483,680</b>	<b>6,514,577</b>	<b>19,664,943</b>	<b>1,400,260</b>	<b>(3,382,677)</b>



**2012/13  
CAPITAL MONITORING TO 30 SEPTEMBER 2012**

	£	£	£	£	£	£	£
	2012/13 Capital Programme	2012/13 Budget to be Carried Forward to Future Years	Proposed Deletion of scheme	Additional Budget Requirement	Saving Reported	2012/13 Revised Capital Programme	£
<b>COMMUNITY &amp; ENVIRONMENT</b>							
<b>CULTURAL CITY</b>							
Play Area Refurbishments	301,640					301,640	
Sports Facilities Refurbishment	175,330	108,330				67,000	
Parks Improvements	77,760					77,760	
Contribution to RAMM Re HLF Parks Bid	65,200					65,200	
Exwick Community Centre	20,880					20,880	
RAMM Redevelopment	2,200,000					2,200,000	
RAMM Off Site Store	40,740					40,740	
Neighbourhood Parks & Local Open Spaces	34,630					34,630	
Allotments - Toilet Replacement	23,440					23,440	
Replacement of Flowerpot Skate Park	250,000					250,000	
Refurbishment and Upgrade of Paddling Pools	200,000					200,000	
<b>CARED FOR ENVIRONMENT</b>							
Public Toilet Refurbishment	990					990	
Local Authority Carbon Management Programme	107,910					107,910	
Improvements to Cemetery Roads & Pathways	11,950		(11,950)			0	
Cemeteries & Churches Storage Improvements	26,330		(26,330)			0	
Midi Recycling Banks	10,000		(10,000)			0	
<b>EXCELLENCE IN PUBLIC SERVICES</b>							
New Technology for Cleansing	14,190					14,190	
Belle Isle Depot - Secure Equipment Storage	11,820					11,820	
Vehicle Replacement Programme	400,000					400,000	
No. 6 Greenhouse Belle Isle	0			17,500		17,500	
<b>HEALTHY &amp; ACTIVE PEOPLE</b>							
Disabled Facility Grants	302,280					302,280	

**2012/13  
CAPITAL MONITORING TO 30 SEPTEMBER 2012**

	2012/13 Capital Programme	2012/13 Budget to be Carried Forward to Future Years	Proposed Deletion of scheme	Additional Budget Requirement	Saving Reported	2012/13 Revised Capital Programme
	£	£	£	£	£	£
<b>EVERYONE HAS A HOME</b>						
Warm Up Exeter/PLEA Scheme	325,540		(225,540)			100,000
5 Year House Condition Survey	50,000		(50,000)			0
Renovation Grants	126,140		(76,140)			50,000
Wessex Loan Scheme	784,380					784,380
Glencoe Capital Works	5,670					5,670
St Loyes Design Fees	69,110	49,110				20,000
Private Sector Renewal Scheme	349,180		(199,180)			150,000
WHIL Empty Properties	200,000					200,000
HCA Empty Properties	100,000	100,000				0
The Haven	250,000					250,000
Social Housing Grants	1,707,630		(1,707,630)			0
St Paul's Church PC	100,000		(100,000)			0
Exwick & Foxhayes School SOS	300,000		(300,000)			0
Steps Acquisitions	50,000					50,000
Laings	50,000		(50,000)			0
11-13 Stepcoote Hill	60,000					60,000
22 St Davids Hill Conversion	100,000	50,000				50,000
Hennis Project St Sidwells	32,340		(32,340)			0
Other Temp Accom Improvement	50,000		(50,000)			0
Temporary Accom Purchase	170,000					170,000
Conversion 23 Longbrook Terrace	25,000		(25,000)			0
Wheelchair Homes in RNSD Depot	250,000		(250,000)			0
Sprinklers	141,000		(141,000)			0
Coronation Road / Wonford Street	50,000		(50,000)			0
Infill Sites	350,000					350,000
Sovereign Infill - Shakespeare Road	375,000					375,000
Sovereign Infill - Leypark Road	135,000					135,000
Sovereign Infill - Residue	255,000		(255,000)			0
<b>SAFE CITY</b>						
Replace Digital Recording Equipment at Control Centre	48,000		(48,000)			0
<b>COMMUNITY &amp; ENVIRONMENT TOTAL</b>	<b>10,784,080</b>	<b>307,440</b>	<b>(3,608,110)</b>	<b>17,500</b>	<b>0</b>	<b>6,886,030</b>

**2012/13  
CAPITAL MONITORING TO 30 SEPTEMBER 2012**

	2012/13 Capital Programme	2012/13 Budget to be Carried Forward to Future Years	Proposed Deletion of scheme	Additional Budget Requirement	Saving Reported	2012/13 Revised Capital Programme
	£	£	£	£	£	£
<b>ECONOMY &amp; DEVELOPMENT</b>						
<b>ACCESSIBLE CITY</b>						
National Cycle Network	30,030					30,030
Signage / Pedestrian Interpretation	31,600					31,600
Well Oak Footpath/Cycleway	80,150	40,150				40,000
King William Street Car Park Refurb Stage 1	197,330					197,330
King William Street Car Park Refurb Stage 2	858,260			30,000		888,260
<b>CULTURAL CITY</b>						
18 North Street Panelling	870					870
Corn Exchange Enhancements	5,110					5,110
Floodlighting	1,120		(1,120)			0
St Katherine's Priory Re-Roofing	74,650					74,650
<b>CARED FOR ENVIRONMENT</b>						
City Centre Enhancements	473,840			224,000		697,840
Mincinglake/Northbrook Study	11,820					11,820
Ibstock Environmental Improvements	3,240					3,240
Planting Improvements in Riverside Valley Park	14,320	14,320				0
Cowick Street Environmental Works	200,000	60,000				140,000
Exhibition Way Bridge Maintenance	45,000	37,500				7,500
Central Station Environmental Works	185,000					185,000
Princesshay Artwork	40,000					40,000
<b>EXCELLENCE IN PUBLIC SERVICES</b>						
Verney House	45,000				(40,640)	4,360
<b>LEARNING CITY</b>						
Improvements to Quay House Visitor Centre	1,470					1,470
<b>PROSPEROUS CITY</b>						
Canal Basin and Quayside	406,850	316,850				90,000
Science Park	735,990					735,990
137 Cowick Street	33,850					33,850
<b>SAFE CITY</b>						
Security Measures for Riverside Valley Park	1,900					1,900
<b>ECONOMY &amp; DEVELOPMENT TOTAL</b>	<b>3,477,400</b>	<b>468,820</b>	<b>(1,120)</b>			<b>3,220,820</b>

**2012/13  
CAPITAL MONITORING TO 30 SEPTEMBER 2012**

	£	£	£	£	£	£	£
	2012/13 Capital Programme	2012/13 Budget to be Carried Forward to Future Years	Proposed Deletion of scheme	Additional Budget Requirement	Saving Reported	2012/13 Revised Capital Programme	2012/13 Revised Capital Programme
<b>CORPORATE SERVICES</b>							
<b>ELECTRONIC CITY</b>							
Electronic Document Management	1,880					1,880	
Server and Storage Strategy	39,930					39,930	
Authentication Module	64,000	64,000				0	
IT Development Time	37,500					37,500	
PC & Mobile Devices Replacement Programme	178,010					178,010	
Corporate Network Infrastructure	25,000					25,000	
E-FIMS Upgrade	30,000					30,000	
	0					0	
	0					0	
<b>EXCELLENCE IN PUBLIC SERVICES</b>							
Capitalised Staff Costs	261,000					261,000	
<b>CORPORATE SERVICES TOTAL</b>	<b>637,320</b>	<b>64,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>573,320</b>	

**2012/13**  
**CAPITAL MONITORING TO 30 SEPTEMBER 2012**

	2012/13 Capital Programme	2012/13 Budget to be Carried Forward to Future Years	Proposed Deletion of scheme	Additional Budget Requirement	Saving Reported	2012/13 Revised Capital Programme
	£	£	£	£	£	£
<b>HRA CAPITAL</b>						
<b>EVERYONE HAS A HOME</b>						
Sheltered Accommodation	0					0
Adaptations	450,000					450,000
Defective Properties - British Steel	0					0
D/PS British Steel Properties	0					0
Rendering of Council Dwellings	260,000					260,000
Low Maint & Painting - Houses	0					0
MRA Fees	350,720					350,720
Environmental Improvements - Fencing	0					0
Communal Door Entry System	14,740					14,740
Environmental Improvements - General	55,060					55,060
Programmed Re-roofing	300,000					300,000
Energy Conservation	133,240	80,000				53,240
Asbestos Survey	180,000					180,000
Council House Extensions	0					0
External Walls	0					0
External Walls	0					0
Plastic Windows & Doors	20,000					20,000
Smoke Detector Replacements	200,000					200,000
LAINGS Refurbishments	5,000					5,000
Kitchen Replacements	2,663,260					2,663,260
Bathroom Replacements - Reactive	0					0
Asbestos Removal Works	325,000					325,000
Bathroom Replacements - Programmed	887,350					887,350
Development of HRA Land	0					0
Rennes / Fairady Fire Doors	0					0
Weirfield House Refurbishment	0					0
Other Works	133,540					133,540
Repointing	73,850					43,850
Fire Precautionary Works to Flats	331,050	30,000				331,050
Communal Areas	198,110	50,000				148,110
Structural Repairs	71,490	20,000				51,490
Fire Alarms at Sheltered Accommodation	140,000	80,000				60,000
Replacement Concrete Canopies	243,150					243,150
Rennes House Heating Replacement	0					0
472 Topsham Road Adaptations	55,000					55,000

2012/13  
CAPITAL MONITORING TO 30 SEPTEMBER 2012

	2012/13 Capital Programme	2012/13 Budget to be Carried Forward to Future Years	Proposed Deletion of scheme	Additional Budget Requirement	Saving Reported	2012/13 Revised Capital Programme
	£	£	£	£	£	£
Acquisition of 16 Charter Court	75,000					75,000
Acquisition of Social Housing	488,280					488,280
Programmed Electrical Re-wiring	510,000					510,000
Programmed Housing electrical Testing	0					0
Programmed Housing Electrical Testing	0					0
Central Heating Programme	705,940					705,940
Boiler Replacement Programme	260,000					260,000
HRA Self-Financing Payments	0					0
<b>HOUSING REVENUE ACCOUNT TOTAL</b>	<b>9,129,780</b>	<b>260,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,869,780</b>
<b>COUNCIL OWN BUILD CAPITAL</b>						
Phase 3 Professional Fees	135,300					135,300
Phase 2 St Andrews Road	19,800					19,800
Land Purchase	300,000	300,000				0
<b>COUNCIL OWN BUILD TOTAL</b>	<b>455,100</b>	<b>300,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>155,100</b>
<b>CAPITAL AND PROJECT EXPENDITURE TOTAL</b>	<b>24,483,680</b>	<b>1,400,260</b>	<b>(3,609,230)</b>	<b>0</b>	<b>0</b>	<b>19,705,050</b>

**EXETER CITY COUNCIL**

**SCRUTINY COMMITTEE - RESOURCES  
21 NOVEMBER 2012**

**EXECUTIVE  
4 DECEMBER 2012**

**COUNCIL  
16 DECEMBER 2012**

**OVERVIEW OF GENERAL FUND REVENUE BUDGET 2012/13**

**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 six months, for the 2012/13 financial year.

**2. REVENUE POSITION – EXECUTIVE SUMMARY**

FUND	Latest Approved Budget	Stewardship Variance September 2012	Outturn Forecast 2012/13
	£	£	£
General Fund	13,116,075	(302,096)	12,813,979
HRA*	(2,320,270)	1,906,070	(414,200)
Council own Build Houses*	(17,570)	(31,570)	(49,140)
* (surplus) / deficit			

**GENERAL FUND – Appendix A**

- 2.1 The Service Committee budgets shows a forecast underspend of £258,260 (1.9%) against a revised Service Committee Net Expenditure budget of £13,718,210 and an overall underspend of £302,096 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. All areas have made a saving resulting from a lower pay award than the Council budgeted for. However the main variances across the Council are as follows:
- 2.3 **Scrutiny Committee Community – (An overspend of £177,000)**

Cleansing Services is anticipated to overspend by £109,500 as a result of increased waste disposal costs and the delayed implementation of the revised garden waste collection procedure.

Within the Museums Service there will be an anticipated overspend of £115,500 due to higher anticipated costs for utilities and Non Domestic Rates. The Council is currently appealing the Non Domestic Rates valuation which could eventually result in a reduction.

Other variances within the Committee result in a net underspend of £48,000, leaving an anticipated total overspend for the Committee of £177,000.

## 2.4 Scrutiny Committee Economy – (An underspend of £437,810)

Car parking income is expected to exceed the estimate and has contributed to a projected £51,310 underspend.

Income from planning fees is currently 76% above budget. It is therefore anticipated that planning fee income will exceed the budget resulting in an underspend of £246,430.

Additional income is expected in respect of the Matford Centre and Corn Exchange, contributing to an estimated underspend on Markets and Halls of £90,620.

Other variances within the Committee result in a net underspend of £49,450, leaving an anticipated total underspend for the Committee of £437,810.

## 2.5 Scrutiny Committee Resources – (An underspend of £247,450)

As a result of the change in subsidy in respect of Non HRA Rent Allowances, it is estimated that there will be a small increase in subsidy for 2012/13 resulting in an additional saving in cost of £65,200 on Housing Benefits.

The retail unit attached to Guildhall was vacant until August 2012 with a subsequent loss of rental income and the payment of void rates; the unit has now been successfully let. However there is an anticipated overspend of £68,700 on Civic Ceremonials.

The approved cost of pension fund contributions following redundancies has caused an overspend of £55,440 on unapportionable overheads. Individual services throughout the Council have been charged the actual cost of redundancies to reflect where the subsequent savings will be made.

Other variations caused by the senior management restructure and further, ongoing restructures have caused an additional underspend of £306,390, leaving a total underspend of £247,450 for the Committee.

## 3. OTHER FINANCIAL VARIATIONS

- 3.1 There is a net transfer to Earmarked Reserves of £1,021,572, a reduction of £192,986 from budget. The variance is to cover voluntary redundancies included within the Service Committee totals.
- 3.2 After the completion of the final accounts for 2011/12, the provision for the repayment of debt has been calculated and is £31,164 higher than the estimate. It is anticipated that net interest paid will be £75,000 lower than anticipated owing to continuing low interest rates for funds borrowed from other Local Authorities.
- 3.3 The overall net transfer from the General Fund Working Balance is estimated to be £558,965 at 31 March 2013 after accounting for July approved supplementary budgets of £138,260. This represents a reduction of £502,493 against budget and would leave the General Fund Working Balance at £3,726,460 at the end of the year.

## 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 £414,200 in 2012-13 which will be transferred to the HRA working balance. This represents a decrease of £1,906,070 compared to the budgeted transfer to the working balance of £2,320,270. This reduction is predominantly due to an approved increase to the kitchen and bathroom replacement programmes, which is explained in more detail below. It is estimated that the working balance will stand at £6,178,623 at 31 March 2013.



4.2 In respect of the Council Own Build sites (COB), the total budget variances indicate that there will be a net surplus of £49,140 achieved in 2012-2013, which will be transferred to the COB working balance. This represents an increase of £31,570 compared to the budgeted transfer to the working balance of £17,570. It is estimated that the working balance will stand at £77,346 at 31 March 2013.

## 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 £1.884m to £1.769m – a reduction of £115,000. Debts over 5 years old relate in the main to two services, Housing Benefit overpayments (£140,000) and Housing (£11,839).

Age of Debt	September 2011	September 2012
Up to 29 days (current)	£1,050,653	£731,756
30 days – 1 Year	£862,928	£855,102
1 – 2 years	£405,545	£314,153
2 –3 years	£214,130	£241,261
3 – 4 years	£141,298	£110,201
4 – 5 years	£79,561	£92,804
5 + years	£180,376	£155,276
<b>Total</b>	<b>£2,934,491</b>	<b>£2,500,553</b>

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

	Outstanding Debt – 30 September 2012
	£
▪ Commercial rent	675,397
▪ Markets & Halls	22,825
▪ Trade waste	111,397
▪ Service charges and ground rent	59,732
▪ Home call alarms	5,772
▪ Housing benefit overpayments*	1,136,219
▪ Recycling	116,664
▪ Leisure / Museums	41,201
▪ AFU	14,786
▪ Economy & Tourism	49,212
▪ HRA	93,978
▪ General Fund Housing	59,510
▪ River & Canal	22,580

- 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 2.3% 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 six months of 2012/13:

• Council Tax	£ 79,633
• Business Rates*	£ 0
• Sundry Debt	£ 17,853
• Housing Rents	£ 67

\* Business Rates write-offs are considered during March 2013.

## 7. CREDITOR PAYMENTS PERFORMANCE

7.1 During the first six months of 2012/13, the percentage of invoices paid within 30 days was 95.6%, which is marginally lower than the 2011/12 performance of 96.6%.

## 8. CONCLUSION

- 8.1 The forecast reduction in Service Committee net expenditure for 2012/13 totals £258,260 including the supplementary budgets of £138,260. 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 £558,965 from the General Fund Working Balance.
- 8.2 The forecast General Fund Working Balance at 31 March 2013 is £3,726,460 and equates to 28.1% of the General Fund net expenditure.
- 8.3 It is estimated that the HRA working balance will be £6,178,623 and the Council's Own Build Balance will stand at £77,346 at 31 March 2013.
- 8.4 The creditors' payment performance has dropped slightly and is currently 95.6%.

## 9. RECOMMENDATION

- 9.1 That Scrutiny Resources Committee notes and Executive recommend that the Council approve:
- The General Fund forecast financial position for the 2012/13 financial year
  - The HRA forecast financial position for 2012/13 financial year
  - The outstanding Sundry Debt position as at June 2012
  - The creditors' payments performance

ASSISTANT DIRECTOR FINANCE

STRATEGIC DIRECTOR

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

**Background papers used in compiling the report:**

None

APPENDIX A

GENERAL FUND  
2012/13 REVENUE ESTIMATES - SUMMARY  
as at 30 September 2012

	Annual Budget £	Supplementary Budgets £	Revised Annual Budget £	Year End Forecast £	Variance to Budget £
SCRUTINY - COMMUNITY	13,552,090	55,200	13,607,290	13,784,290	177,000
SCRUTINY - ECONOMY	(2,537,130)	71,060	(2,466,070)	(2,903,880)	(437,810)
SCRUTINY - RESOURCES	6,094,780	12,000	6,106,780	5,859,330	(247,450)
Senior Management Restructure	(500,000)		(500,000)	(250,000)	250,000
less Notional capital charges	(3,029,790)		(3,029,790)	(3,029,790)	0
<b><u>Service Committee Net Expenditure</u></b>	<b>13,579,950</b>	<b>138,260</b>	<b>13,718,210</b>	<b>13,459,950</b>	<b>(258,260)</b>
Net Interest	150,000		150,000	75,000	(75,000)
Local Services Support Grant	(505,470)		(505,470)	(505,470)	0
New Homes Bonus	(1,322,665)		(1,322,665)	(1,322,665)	0
Minimum Revenue Provision	1,076,000		1,076,000	1,107,164	31,164
<b><u>General Fund Expenditure</u></b>	<b>12,977,815</b>	<b>138,260</b>	<b>13,116,075</b>	<b>12,813,979</b>	<b>(302,096)</b>
Transfer To/From(-) Working Balance	(923,198)	(138,260)	(1,061,458)	(558,965)	502,493
Transfer To/From(-) Earmarked Reserves	1,197,065		1,197,065	997,155	(199,910)
<b><u>General Fund Net Expenditure</u></b>	<b>13,251,682</b>	<b>0</b>	<b>13,251,682</b>	<b>13,252,169</b>	<b>487</b>
Formula Grant	(8,257,807)		(8,257,807)	(8,257,807)	0
Council Tax Freeze Grant	(237,283)		(237,283)	(237,770)	(487)
<b><u>Council Tax Net Expenditure</u></b>	<b>4,756,592</b>	<b>0</b>	<b>4,756,592</b>	<b>4,756,592</b>	<b>0</b>
<b>Working Balance</b>	<b>March 2012</b>	<b>£ 4,285,425</b>		<b>£ 3,726,460</b>	<b>March 2013</b>

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APPENDIX B

HOUSING REVENUE ACCOUNT  
2012/13 REVENUE ESTIMATES - SUMMARY  
as at 30 September 2012

Code	Approved Annual Budget	Current Outturn Forecast	Variance To Budget
	£	£	£
85A1 Management	2,992,070	2,907,650	(84,420)
85A3 Sundry Lands Maintenance	262,170	262,170	0
85A4 Repairs Fund Contribution	9,924,020	12,011,570	2,087,550
85A6 Capital Charges	0	0	0
85A8 Rents	(17,387,550)	(17,541,350)	(153,800)
85B2 Interest	1,889,020	1,945,760	56,740
85B4 Variance in Working Balance	2,320,270	414,200	(1,906,070)
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Working Balance</b>	<b>1 April 2012</b>	<b>31 March 2013</b>	<b>£ 6,178,623</b>
	£ 5,764,423		

COUNCIL OWN BUILD SITES

Code	Approved Annual Budget	Current Outturn Forecast	Variance To Budget
	£	£	£
H006 Rowan House	(6,450)	(6,630)	(180)
H007 Knights Place	(36,400)	(52,510)	(16,110)
H008 Capital Financing	15,000	10,000	(5,000)
H009 Capital Charges	10,280	0	(10,280)
<b>Variance in Working Balance</b>	<b>17,570</b>	<b>49,140</b>	<b>31,570</b>
<b>Working Balance</b>	<b>1 April 2012</b>	<b>31 March 2013</b>	<b>£ 77,346</b>
	£ 28,206		

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## EXETER CITY COUNCIL

### SCRUTINY COMMITTEE – RESOURCES 21 NOVEMBER 2012

#### EXECUTIVE 4 DECEMBER 2012

#### TREASURY MANAGEMENT – 2012/13 – HALF YEAR UPDATE

##### 1. PURPOSE OF REPORT

- 1.1 To report on the current performance for the 2012/13 financial year and the position regarding investments and borrowings at 30 September 2012.

##### 2. TREASURY MANAGEMENT STRATEGY

- 2.1 The Council approved the 2012/13 treasury management strategy at its meeting on 21 February 2012. The Council's stated investment strategy was to continue to hold only small surplus funds and to use the Government's Debt Management Office, Local Authorities and to pursue the opening of a Money Market Fund. The Council's stated borrowing strategy was to maintain short-term borrowing as long as rates remained low. The Council is currently borrowing over 1 year periods.
- 2.2 The Assistant Director Finance is pleased to report that all treasury management activity undertaken during the period complied with the approved strategy, the *CIPFA Code of Practice*, and the relevant legislative provisions.

##### 3. ECONOMIC REVIEW

- 3.1 The first half of the financial year saw continuing volatility across the world as the Eurozone crisis and slowing demand continued to take effect. The UK's recession continued, primarily down to the additional Bank Holiday, but also reduced demand for exports from the Eurozone had a greater impact.
- 3.2 Many Western developed nations, including the UK, continue to implement policies to reduce public budget deficits, which curb domestic demand. On a positive note inflation has come down towards target over the last few months, although recent announcements of energy price rises may have an impact on the future direction of inflation.
- 3.3 The Bank of England, however, continues to be more concerned about the economic recovery, and has maintained Bank Rate at 0.5%, and embarked on further rounds of quantitative easing, bringing its asset purchases up to £375 billion by the end of November.

#### 4. Interest Rate Prospects

- 4.1 The August Inflation Report showed that the Bank expects little economic growth this year and a gradual recovery in 2013. The weakness in demand is projected to place downward pressure on inflation, maintaining it around target for the next few years. The recent downward trend in the CPI inflation rate allied with the global downturn has pushed market expectations for a rise in interest rates out to at least 2014. Although previously discounted by the Monetary Policy Committee (MPC), there is now also the marginal possibility of a cut in Bank Rate to 0.25%. Further asset purchases also seem likely later this year. The latest central forecast from the Council's treasury management advisers is shown below. The risks to the forecast remain heavily to the downside, (i.e. it could take longer for rates to start to rise) arising largely from the impact of the Eurozone sovereign debt crisis on UK business and household confidence.

Period	Bank Rate	3 month LIBOR	12 month LIBOR	25-year PWLB rate
Q3 2012	0.50	0.65	1.40	4.10
Q4 2012	0.50	0.65	1.20	4.15
Q1 2013	0.50	0.65	1.30	4.20
Q2 2013	0.50	0.70	1.40	4.25
Q3 2013	0.50	0.80	1.45	4.35
Q4 2013	0.75	0.95	1.50	4.50
H1 2014	1.00	1.20	1.80	4.85
H2 2014	1.50	1.70	2.30	5.10
H1 2015	2.00	2.20	2.80	5.25
H2 2015	2.50	2.75	3.30	5.50

#### 5. NET INTEREST POSITION

- 5.1 The General Fund shows an estimated net reduction in interest payable compared to the budget, the position is:

	Estimate	Sept 12	Estimated Outturn	Variation
	£	£	£	£
<b>Interest paid</b>	125,000	14,930	60,000	(65,000)
<b>Interest earned</b>				
Temporary investment interest	(36,000)	(10,842)	(20,000)	16,000
Other interest earned	(1,750)	(330)	(660)	1,090
Less				
Interest to HRA	52,500	15,000	30,000	(22,500)
Interest to s106 agreements	8,000	2,938	4,620	(3,380)
Interest to Trust Funds	2,250	630	1,260	(990)
Lord Mayors Charity	0	250	500	500
GF interest (received) / paid out	<u>25,000</u>	<u>7,646</u>	<u>15,720</u>	<u>(9,280)</u>
Net interest	<u>150,000</u>	<u>22,576</u>	<u>75,720</u>	<u>(74,280)</u>



- 5.2 The other interest earned relates principally to car loan repayments.
- 5.3 The improvement against budget has been caused by a number of factors. Please see section 6 for a detailed explanation.

## **6. INVESTMENT INTEREST**

- 6.1 The Council is utilising the Government's Debt Management Office account in line with the treasury management strategy whenever there is surplus cash for investment. This pays an interest rate of 0.25%, which means much lower returns. However, it also means much lower borrowing costs for the Council resulting in a better overall position for the General Fund.
- 6.2 The HRA interest is calculated according to statute, and has changed to reflect the lower returns. Whilst this is disappointing for the HRA, Trust Funds and section 106 agreements, chasing higher rates of return would place all the risk on the General Fund, whilst the additional interest would be enjoyed by the other Funds.
- 6.3 In respect of the Icelandic investments, further repayments have been made by Landsbanki meaning that £1.506 million has now been received back by the Council. Further repayments will be made as and when assets are sold. In respect of Glitnir, no further information has been forthcoming regarding the £380,000 held in escrow on our behalf in Iceland.

## **7. BORROWINGS**

- 7.1 The Council has reduced its temporary borrowing over the first six months of the year and now has only £5 million of borrowing down from £8 million at the start of the year. It is anticipated that the £5 million borrowing will be renewed and that a small amount of further borrowing may be required over the next six months, in order to maintain a positive cashflow. The borrowing will be taken over 364 days as interest rates remain very low.
- 7.2 Long-term borrowing of £56.884m has been taken over 50 years to cover the payment required to introduce self-financing in the HRA. This attracts annual interest of £1.980 million, payable by the HRA.

## **8. TREASURY MANAGEMENT ADVISERS**

- 8.1 For several years the Council has used Sterling Consultancy Services as our Treasury Management advisers. Sterling Consultancy Services have been purchased by Arlingclose, an independent treasury management advisory company. The staff have transferred and the contract terms and conditions remain the same. The Council will monitor the transition to ensure that the level of service remains of a high standard. The Council only has to give three months' notice to end the contract if it was to prove of a lower standard.

## **9. FUTURE POSITION**

- 9.1 As interest rates remain very low the Council will continue to use short term borrowing to manage its cash flow.
- 9.2 Short term investment opportunities remain limited and the Council is therefore minimising the amount of cash available to invest and continuing to keep its borrowing costs low. This has an ongoing impact on returns but maximises the security of our cash.

**10. RECOMMENDATION**

10.1 That the Treasury Management report for the first six months of 2012/13 be noted.

ASSISTANT DIRECTOR FINANCE

STRATEGIC DIRECTOR

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

**Background papers used in compiling the report:**

None