



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 20 MARCH 2013**, 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 23 January 2013.

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.

Office of Corporate Manager Democratic & Civic Support

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

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

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

5 **QUESTIONS FROM THE PUBLIC UNDER STANDING ORDER 19**

A period of up to 15 minutes will be set aside to deal with questions to the Committee from members of the public.

Details of questions should be notified to the Corporate Manager Democratic & Civic Support at least three working days prior to the meeting. Further information and a copy of the procedure are available from Member Services (265275) also on the Council web site: <http://www.exeter.gov.uk/scrutinyquestions>

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

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

7 **AUDIT PROGRESS REPORT**

The Council's External Auditor, Grant Thornton, will present the Audit Progress Report to Members – *plan circulated* 1 - 14

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 REPORT 2012/13***

To consider the joint report of the Assistant Director Housing and Contracts, Assistant Director Economy and Assistant Director Finance – *report circulated* 15 - 16

MATTERS FOR CONSIDERATION BY THE EXECUTIVE

- 9 **OVERVIEW OF CAPITAL EXPENDITURE 2012/13**
- To consider the report of the Assistant Director Finance – *report circulated* 17 - 30
- 10 **OVERVIEW OF GENERAL FUND REVENUE BUDGET 2012/13**
- To consider the report of the Assistant Director Finance – *report circulated* 31 - 40

MATTERS FOR CONSIDERATION BY SCRUTINY COMMITTEE - RESOURCES

- 11 **BUDGET MONITORING REPORT TO 31 DECEMBER 2012**
- To consider the report of the Assistant Director Finance – *report circulated* 41 - 50
- 12 **INTERNAL AUDIT PLAN 2013/14**
- To consider the report of the Senior Auditors – *report circulated* 51 - 54
- 13 **INTERNAL AUDIT WORK 2ND HALF YEAR 2012/13**
- To consider the report of the Senior Auditors – *report circulated* 55 - 56

DATE OF NEXT MEETING

The next **Scrutiny Committee - Resources** will be held on Wednesday 19 June 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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Audit Update Report for Exeter City Council

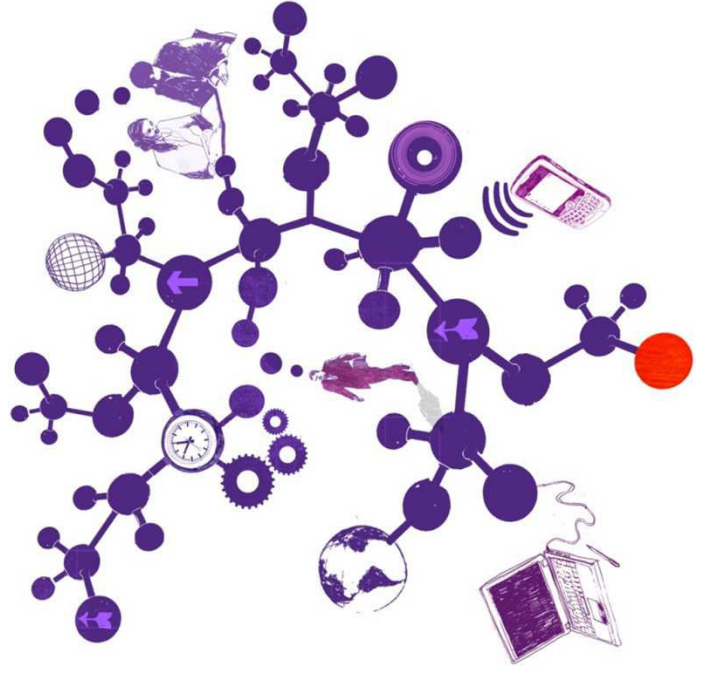
Year ended 31 March 2013

6 March 2013

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications - 'Local Government Governance Review 2012', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at February 2013

Work	Planned date	Complete?	Comments
<p>2012-13 Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council 's 2012-13 financial statements.</p>	<p>To officers – April 2013</p>	<p>In progress</p>	<p>We are currently undertaking a review of the key risks facing the Council both in terms of our opinion on the financial statements and the value for money conclusion.</p> <p>Our audit planning process is well underway. We are incorporating key messages that arise as a result of our regular meetings with the Assistant Director Finance, Internal Audit and other members of the finance team. Our draft plan will be sent to officers in April and will be presented at the next Scrutiny Committee.</p>
<p>Interim accounts audit</p> <p>Our interim fieldwork visit will include the following:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core systems • early work on any emerging accounting issues • review of group accounting arrangements • an IT risk assessment; and • initial VFM conclusion work 	<p>February/April 2013</p>	<p>In progress</p>	<p>Our interim audit visit is well progressed. The findings from this review will inform the approach we will take to testing at the final accounts stage of the audit.</p> <p>We will present these findings and any impact they may have on our audit strategy to Scrutiny Committee members when this work has been completed.</p>
<p>2012-13 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	<p>August/September 2013</p>		<p>In advance of our final accounts audit we will continue meeting with senior finance staff and Internal Audit.</p> <p>This will ensure we have an up to date understanding of the issues relevant to the accounts and Value for Money conclusion.</p>

Progress at February 2013

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2012/13 VfM conclusion comprises assessing whether the Council:</p> <ul style="list-style-type: none"> • has proper arrangements in place for securing financial resilience • has proper arrangements for challenging how it secures economy, efficiency and effectiveness. 	March - August 2013	In progress	<p>We undertake an initial risk assessment highlighting any significant risk areas followed by our detailed work. In common with other Local Government bodies Exeter City Council faces significant financial pressures. We will review the Council's financial plans and outcomes and will produce a financial resilience report.</p> <p>We will also consider any other significant developments at the Council such as the on-going organisational review and review of the procurement process so that they inform our conclusion.</p>
<p>Other areas of work</p> <p>Grant certification work 2012/13 We will undertake grants certification work in line with deadlines issued by the relevant Government Departments.</p>	June – November 2013		<p>We will audit those grants that require audit certification in accordance with Audit Commission guidance and Government Department deadlines.</p>

Emerging issues and developments

Accounting and audit issues

Implications of the Local Government Finance Act 2012

The Local Government Finance Act 2012 has now been given Royal Assent. The Act has amendments in two areas of local government finance:

- Council tax support will now be localised and local authorities will be responsible for implementing their own council tax reduction schemes.
- 50% of the non domestic rates collected locally will be retained by the local authority. Billing authorities will pay over a share to central government and proportionate shares to their precepting bodies.

In December 2012, CIPFA issued a consultation on proposed amendments to the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom for the implications of business rates retention schemes. In summary, the changes are to account for business rates in a similar way to council tax. The Comprehensive Income and Expenditure Statement will need to show amounts collectible by each authority. Debtors/creditors will be recognised when these amounts do not match the actual amounts paid by each billing authority over to preceptors and government. The Collection Fund adjustment account will be used for accounting for the differences. Top-ups and tariffs and the safety net and levy will be recognised as grant income or expenditure. Individual authorities in a pool will need to account for their share of income and expenditure debtors/creditors as stipulated in any agreement made by individual authorities in the pool.

Issues for the Council to consider:

- Do you know your key risks?
- Have officers ensured the financial impact is fed into medium term financial plans?
- Have officers undertaken modelling of future business rates growth?
- Have officers given due consideration to pooling?
- Have officers considered the possible impact on council tax collection rates if they do reduce benefit entitlement in line with the funding reduction?
- Has your Assistant Director Finance reviewed the proposed amendments to the 2013/14 Code and assessed the potential impact?

Emerging issues and developments

Accounting and audit issues

Accounting for joint arrangements

IAS 31 classified joint ventures into jointly controlled operations, jointly controlled assets and jointly controlled entities. Under IFRS 11 both jointly controlled operations and jointly controlled assets are classified as joint operations.

Under IAS 31 members of jointly controlled entities were permitted to use proportionate consolidation or equity accounting to account for their interests in the jointly controlled entity's assets, liabilities, revenue and expenses. Under IFRS 11 the ability to use proportional consolidation for interests in joint ventures is no longer permitted. Equity accounting is required.

Last year, Grant Thornton published a flyer Accounting for joint arrangements by local authorities under IFRS 11 to highlight the changes being introduced by IFRS 11 'Joint arrangements' compared to IAS 31 'Interests in joint ventures' for 2013/14.

Issues for the Council to consider:

- Have officers considered the impact of these new arrangements?
- Are you clear on the issues arising for the Council?

Emerging issues and developments

Accounting and audit issues

Provisions

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the criteria for recognising a provision is that there is:

- a current obligation as a result of a past event;
- a transfer of economic benefit is probable; and
- a reliable estimate of the liability can be made.

We wish to highlight the following matters to you for consideration where a provision may be required:

- Mutual Municipal Insurance – the Scheme of Arrangement was triggered in November 2012, therefore it is now virtually certain that there will be a transfer of economic benefit. If this liability has not been discharged by 31 March 2013, we would expect local authorities to recognise a creditor or, if the timing or amount of the payment is uncertain, a provision in their financial statements.
- Equal pay - in October 2012 the supreme court ruled that more than 170 former Birmingham City Council employees can make equal pay claims. This effectively extends the time workers have to bring equal pay compensation claims from six months to six years. We would expect local authorities to consider whether they have received any additional claims and, where the criteria set out in IAS 37 have been met, recognise a provision.
- Redundancy costs –the recognition point for termination benefits fall under IAS 19 'Employee Benefits'. This is generally earlier than the IAS 37 recognition criteria for restructuring which requires that a valid expectation has been raised in those affected. The requirement in IAS 19 is that the entity is 'demonstrably committed'.

Issues for the Council to consider:

- Has your Assistant Director Finance considered the need for additional provisions for the above matters?

Emerging issues and developments

Grant Thornton

'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'

In December 2012, Grant Thornton published 'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'. This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary update on how the sector is coping with the service and financial challenges faced. The report provides a summary of the key issues, trends and good practice emerging from the review.

Issues for the Council to consider:

- Have you considered the findings of the report?
- Are there any issues that relate to your authority and what action are you going to take?

Emerging issues and developments

Local government guidance

'Auditing the Accounts 2011/12' report

In December, the Audit Commission published 'Auditing the Accounts 2011/12'. The report summarises the results of auditors' work on the financial statements of both principal and small bodies. The key finding in the report is that bodies have improved the quality and timeliness of their financial reporting in 2011/12.

Issues for the Council to consider:

- Has your Assistant Director Finance identified the key risks for the authority in preparing the 2012/13 financial statements?
- Has your Assistant Director Finance produced a robust and adequately resourced timetable for the production and submission of its 2012/13 financial statements?
- Has this been discussed and agreed with the External Auditors?

'Striking a balance: improving councils' decision making on reserves'

In December, the Audit Commission published 'Striking a balance: improving councils' decision making on reserves.' The report covers the findings from research undertaken by the Audit Commission on the level of reserves that councils hold and the decisions councils make on them.

The report encourages English councils to focus more attention on their reserves. It suggests that management should be providing more comprehensive information on reserves to elected members and councils should provide greater clarity on the reasons for holding reserves. The report includes questions for elected members that will help them in their decision making and scrutiny roles.

Issues for the Council to consider:

- Are your officers providing you with the right information about reserves?
- Have you considered the findings of the report and identified where actions are required?

Emerging issues and developments

Local government guidance

'Tough Times: Councils' financial health in challenging times'

In November, the Audit Commission published 'Tough times 2012: Councils' financial health in challenging times.' This is the second report it has produced looking at how councils are dealing with the issues from the Spending Review and focuses on the financial health of councils.

The report finds that councils generally delivered on their planned savings, however, auditors reported that signs of financial stress were visible.

Issues for the Council to consider:

- Have you considered the findings of the report and any actions required?

'Protecting the public purse 2012'

In November, the Audit Commission published 'Protecting the public purse 2012: Fighting fraud against local government.' The report provides the results of the Audit Commission's annual survey of English local government bodies. It finds that local government bodies are targeting their investigative resources more efficiently and effectively. Local government bodies detected more than 124,000 cases of fraud in 2011/12 totalling £179m. It also reports that new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools.

The report includes a checklist for those charged with governance to use to review their counter-fraud arrangements.

Issues for the Council to consider:

- Have you considered the findings of the report?
- Are there any issues that could relate to your authority and how are these being dealt with?
- Have you reviewed your existing arrangements for tackling fraud?

If you have any fraud queries, talk to your Audit Manager to see how Grant Thornton could help.



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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 20 MARCH 2013

AIM PROPERTY MAINTENANCE PROGRESS REPORT 2012/13

1 PURPOSE OF THE REPORT

- 1.1 This is the third quarterly progress report, covering the period from October to December 2012 (but including updated figures as at 11 February 2013). 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:

	£	
Housing budgets		
(a) Housing Reactive Repairs	4,689,330	
(b) Housing Servicing Contracts	724,040	
(c) Housing Maintenance Works	<u>844,600</u>	£ 6,257,970
Non-housing budgets		
(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		<u>£ 7,933,130</u>

- 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 and 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.

NON-HOUSING

Non-Housing Reactive Repairs Generally – combined budget £528,950

- 2.4 This budget is split into eleven separate parts in order to better raise and monitor orders and control work and costs. As all these separate provisions are for works of a reactive nature it is difficult to plan or predict the extent or pattern of likely expenditure in the year. However, whilst present spending rate indicates that some overspend is projected against the budget provisions for Livestock/Corn Exchange and Policy Properties facility repairs, such overspend is more than compensated by underspend elsewhere within this combined budget.

Legionella Risk Assessments – budget £75,990

- 2.5 This budget is set each year to provide for the necessary identification and assessment, by local authorities, of the risk of exposure to legionella bacteria from work activities and water systems and for any resulting precautionary measures needed. This need is driven by Health and Safety Executive Approved Code of Practice in relation to the control of legionella bacteria in water systems. This year some new sites for investigation have been identified and further preventative work has also been called for resulting in the 2012/13 budget being insufficient for the work now demanded. Consequently overspend of some £14,000 is likely to be sustained. Nevertheless this value of overspend will be compensated by savings likely to be made in other non-housing budgets.

Car Parks Operational Essential Works – budget £26,810

- 2.6 This budget is set each year to finance works of a repair and replacement nature in order to maintain the car park services operated for customers. This year, unforeseen additional costs in the order of £8,000 are likely to be sustained partly due to drainage repair works at Mary Arches car park. Nevertheless such overspend is likely to be compensated by savings achieved elsewhere in non-housing budgets

3 RECOMMENDED

- (1) that the third 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 20 MARCH 2013

EXECUTIVE
9 APRIL 2013

COUNCIL
23 APRIL 2013

OVERVIEW OF CAPITAL EXPENDITURE 2012/13

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.

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.

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 21 November 2012. Since that meeting the following changes have been made that have increased the programme:

Description	£	Approval/Funding (%)
Capital Programme, as at 21 November 2012	24,483,680	
GENERAL FUND		
Amendments to programme approved at the Executive Dec 2012	(4,778,630)	Deletions and carry forwards
Play Area Improvements – Wonford Play Area	12,500	Devon CC Contribution
Exwick Community Centre	(20,880)	Funds passed to Community Centre
Cemeteries Improvements	11,950	Borrowing
Disabled Facilities Grants	83,740	Additional Grant from Government
HRA		
Purchase of 6 flats and associated stamp duty at RNSD	309,000	revenue contribution to capital
Revised Capital Programme	20,101,360	

4. REQUEST FOR ADDITIONAL FUNDING

4.1 PARIS Income Management System (£25,000)

The Council has used the PARIS income management system since 2005. It is a wide ranging system that provides for payments by:

- The Internet;
- An Automated Telephone System;
- Payments via Telephone Operatives;
- Face to Face Payments;
- Cheques received by post and direct bank payments to be allocated.

The current system does not meet regulatory payment industry standards, and Northgate, the provider of the system have informed us that they will be withdrawing the current system at the end of 2013. The Council therefore has three options – upgrade the PARIS system at a cost of £20,000 - £25,000, go out to tender (indicative pricing suggests a cost of £80,000 - £100,000 for a new system), or withdraw the facility to accept payments.

As the Council needs to maintain the facility to accept payments, it is considered that upgrading the present system will provide the most cost effective solution. The new system operates using a bureau solution, which is in line with the other solutions in the marketplace, and will incur ongoing revenue costs of approximately £5,000 per annum in the form of transaction charges. The budget requested is £25,000 and it is hoped the work can be completed by June 2013.

5. PERFORMANCE (Appendix 1)

- 5.1 The revised capital programme for the current financial year is £20.101 million. During the first nine months of the year the Council spent £11.119 million on the programme, which equates to 55.32% of the revised programme. This compares with £7.910 million (50.20%) being spent in the first nine 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 £17.415 million with £2.657 million of the programme potentially deferred to 2013/14.

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

- **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 £50,000)**

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.

- **Private Sector Renewal Scheme (Budget £150,000)**

This budget is used to facilitate the reuse of privately owned empty homes and properties, ensuring they are fit for habitation. The expenditure is expected to exceed the budget as a number of properties are expected to be brought back into use before the end of this financial year. The overspend on this scheme will not require additional borrowing as any expenditure incurred will be financed from capital receipts. This capital project is intended to be self financing as landlords repay much of the outlay either upfront, through reduced rents or via sundry debt invoices.

- **Steps Acquisitions (Budget £50,000) and 11-13 Stepcote Hill (Budget £60,000)**

The budgets for the above schemes are no longer required and will be declared as a saving.

6.1.2 Economy & Development

Accessible City

- **Well Oak Footpath/Cycleway (Budget £40,000)**

The path will be completed to tie in the adjacent development. It is anticipated that this will take place in spring 2013.

Cared for Environment

- **City Centre Enhancements (Budget £697,840)**

Works on the London Square element of the scheme were 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 exceeded the budget. The final expenditure will be agreed with the contractor by the end of the financial year. There was an extremely tight timetable for completing the external works in preparation for the opening of the store. Much of the overspend will be shared 50:50 with Devon County Council.

- **Cowick Street Environmental Works (Budget £140,000)**

The first phase of the works has been completed. Various elements of the street works will commence on site in April –May 2013. A partial budget carry forward is required for these works.

- **Exhibition Way Bridge Maintenance (Budget £7,500)**

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 that a small amount of work will take place in this financial year and the majority of the works themselves will take place in 2013/14. This will mean a budget carry forward will be required.

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

Works have been completed 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, Network Rail were able to give notice terminating the existing tenancy of the forecourt and will gain vacant possession in May. In the meantime the necessary traffic orders have been made, and new lease arrangements are being negotiated between Network Rail and DCC, which need to be concluded before materials can be ordered. It is currently expected that work on the site will take place during summer 2013.

Prosperous City

- **Canal Basin and Quayside (Budget £90,000)**

The new Haven Road Outdoor Education Centre is currently under construction by DCC and should be completed by the end of May/beginning June. 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. Coping stones to the walls in the Haven Road car park have now been installed.

The expenditure on this scheme in 2012/13 is anticipated to be in the region of £15,000; 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 complete and marketing activity has been increased. Funding has been secured for the Science Park Centre from the Local Enterprise Partnership which will provide over 30,000sq ft of space for businesses and programmes of support to help new businesses to start and grow and create new jobs. It is now expected that the balance of funding will be paid over as the agreed contribution to the new building costs in the next financial year meaning a budget carry forward is required.

6.1.3 Resources

Electronic City

- **Server and Storage Strategy (Budget £39,930)**

There has been a small overspend in the cost of upgrading the equipment.

- **Authentication Module (Budget £0)**

The Executive approved the deferral of a number of schemes in the September budget monitoring report. At the time it was expected that this scheme would be deferred until 2013/14 as the Government had not finalised the detail of the programme. However, this has now been approved and it is anticipated that £42,890 will be spent in the current year. The budget of £64,000 in next year's programme will be reduced accordingly.

- **IT Development time (Budget £37,500)**

An estimate is made at the time of setting the budget on the amount of IT development staff time that can be capitalised each year. It is estimated that by the end of the financial year that the £37,500 budget will be overspent by £7,500, taking expenditure to £45,000. The work relates to transferring all of the Council's IT legacy platforms to a modern secure way of accessing this old historic data that the Council still needs to keep and have access to.

- **Corporate Network Infrastructure (Budget £25,000)**

There has been a small overspend in the cost of upgrading the equipment.

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 an overspend of £20,654, but will result in future savings in the cost of programmed works.
- **Energy Conservation (Budget £53,240)**

A separate report is being presented to this committee in respect of proposed energy works for 2013/14. Further spend of this budget has therefore been deferred until next financial year, so that the budget can be used towards improving the thermal efficiency of two properties at Shakespeare Road and towards the installation of solar panels at Hawthorn Road.
- **Smoke Detector Replacements (Budget £200,000)**

The £200,000 budget in 2012/13 is intended to provide for the replacement of smoke detectors in flats with a further £200,000 set aside next financial year for the replacement of smoke detectors in all other council dwellings. Work is currently being undertaken to identify the most efficient way to deliver this programme and it is likely that both budgets will be consolidated in 2013/14 so that the full programme can be completed next financial year.
- **Communal Areas (Budget £148,110)**

This budget is intended to be spent on improvements to communal areas such as; replacement communal entrance doors, staircase decorations and the provision of new flooring. The main contractor started on site in the summer with all planned works expected to be completed by the end of March at a cost of £98,110. The remaining balance of £50,000 will be carried forward and amalgamated with next year's budget provision in order to allow for a larger scheme of works to be undertaken in 2013/14.
- **Structural Repairs (Budget £51,490)**

Major structural repairs at 13 West View Terrace are planned to be completed 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 £60,000)**

The main contractor has recently been appointed following completion of a tender process and the programme of work is now being agreed to install fire alarms at ten sheltered accommodation sites. It is hoped that work on site will start this month and it is projected that £20,000 of this budget will need to be deferred into next financial year.
- **Fire Precaution Works to Flats (Budget £331,050)**

Planned works include emergency lighting and fire door improvements. A minor delay has been experienced due to the time involved with changing the door manufacturer, which is expected to result in £50,000 of the budget being deferred until 2013/14.

- **Acquisition of Social Housing (Budget £797,280)**
This budget includes £212,550 for the acquisition of 5 flats at Dean Clarke House which will be added to the Council's social housing stock. Delays in the housing development due to the developer seeking planning amendments have resulted in a revised completion date for the 5 flats and it is now expected that the properties will be available in the summer. The budget provision will therefore be deferred into 2013/14.
- **Other Works (Budget £133,540)**
Works to replace soil down pipes in blocks of flats have been delayed due to the requirement to undertake consultation with leaseholders. It is currently projected that around £40,000 of the budget will need to be carried forward into 2013/14, so that works can be completed once leaseholder's agreement has been obtained.

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.

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.

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.

ASSISTANT DIRECTOR FINANCE

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 31 DECEMBER 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 £
COMMUNITY & ENVIRONMENT					
CULTURAL CITY					
Play Area Refurbishments	314,140	54,157	85,000	212,000	(17,140)
Sports Facilities Refurbishment	67,000	37,537	84,000	0	17,000
Parks Improvements	77,760	55,348	55,576		(22,184)
Contribution to RAMM Re HLF Parks Bid	65,200	49,838	65,200		0
RAMM Redevelopment	2,200,000	1,725,629	2,200,000		0
RAMM Off Site Store	40,740	33,692	40,740		0
Neighbourhood Parks & Local Open Spaces	34,630	22,206	34,630		0
Allotments - Toilet Replacement	23,440	5,611	23,440		0
Replacement of Flowerpot Skate Park	250,000	5,228	10,000	240,000	0
Refurbishment and Upgrade of Paddling Pools	200,000	62,832	200,000		0
Newtown Community Centre	0	8,416	20,000		20,000
CARED FOR ENVIRONMENT					
Vehicle Replacement Programme	400,000	334,639	400,000		0
Public Toilet Refurbishment	990	0	990		0
Local Authority Carbon Management Programme	107,910	41,496	107,910		0
Improvements to Cemetery Roads & Pathways	11,950	0	11,950		0
EXCELLENCE IN PUBLIC SERVICES					
New Technology for Cleansing	14,190	7,270	14,190		0
Belle Isle Depot - Secure Equipment Storage	11,820	11,931	11,931		111
No 6 Greenhouse Belle Isle	17,500	0	17,500		0
HEALTHY & ACTIVE PEOPLE					
Disabled Facility Grants	386,020	292,913	386,020		0

2012-13

CAPITAL MONITORING TO 31 DECEMBER 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
	£	£	£	£	£
EVERYONE HAS A HOME					
Warm Up Exeter/PLEA Scheme	100,000	2,971	100,000		0
Renovation Grants	50,000	0	50,000		0
Wessex Loan Scheme	784,380	648,883	784,380		0
Glencoe Capital Works	5,670	0	0		(5,670)
Private Sector Renewal Scheme	150,000	171,134	276,660		126,660
Newport Road	0	800	800		800
Whipton Methodist Church	0	400	400		400
Bennett Square	0	750	750		750
St Loyes Design Fees	20,000	0	0	20,000	0
WHIL Empty Properties	200,000	200,000	200,000		0
Steps Acquisitions	50,000	0	0		(50,000)
11-13 Stepcoote Hill	60,000	0	0		(60,000)
22 St Davids Hill Conversion	50,000	0	0	50,000	0
Other temporary accommodation improvement	0	708	0		0
Temporary Accom Purchase	170,000	0	0	170,000	0
Infill Sites	350,000	0	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
The Haven	250,000	0	250,000	0	0
SAFE CITY					
Replace Digital Recording Equipment at Control Centre	0	0	0		0
COMMUNITY & ENVIRONMENT TOTAL	6,973,340	4,284,389	5,862,067	1,042,000	(69,273)

2012-13
CAPITAL MONITORING TO 31 DECEMBER 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 £
ECONOMY & DEVELOPMENT					
ACCESSIBLE CITY					
National Cycle Network	30,030	32,644	35,000	0	4,970
Signage / Pedestrian Interpretation	31,600	30,000	31,600	0	0
Well Oak Footpath/Cycleway	40,000	1,845	40,000	0	0
King William Street Car Park Refurb Stage 1	197,330	195,000	195,000	0	(2,330)
King William Street Car Park Refurb Stage 2	888,260	889,577	889,580	0	1,320
CULTURAL CITY					
18 North Street Panelling	870	0	870	0	0
Corn Exchange Enhancements	5,110	3,318	5,110	0	0
St Katherine's Priory Re-Roofing	74,650	38,919	74,650	0	0
CARED FOR ENVIRONMENT					
City Centre Enhancements	697,840	446,844	690,960	6,880	0
Mincinglake/Northbrook Study	11,820	24,754	30,000	0	18,180
Ibstock Environmental Improvements	3,240	0	0	0	(3,240)
Cowick Street Environmental Works	140,000	59,235	60,000	80,000	0
Exhibition Way Bridge Maintenance	7,500	0	1,000	6,500	0
Central Station Environmental Works	185,000	0	0	185,000	0
Princesshay Artwork	40,000	40,000	40,000	0	0
EXCELLENCE IN PUBLIC SERVICES					
Verney House	4,360	4,671	4,670	0	310
LEARNING CITY					
Improvements to Quay House Visitor Centre	1,470	1,084	1,470	0	0
PROSPEROUS CITY					
Canal Basin and Quayside	90,000	9,620	15,000	75,000	0
Science Park	735,990	53,625	60,000	675,990	0
137 Cowick Street	33,850	30,684	30,690	0	(3,160)
SAFE CITY					
Security Measures for Riverside Valley Park	1,900	0	1,900	0	0
ECONOMY & DEVELOPMENT TOTAL					
	3,220,820	1,861,821	2,207,500	1,029,370	16,050

2012-13
CAPITAL MONITORING TO 31 DECEMBER 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 £
CORPORATE SERVICES					
ELECTRONIC CITY					
Electronic Document Management	1,880	0	1,880		0
Server and Storage Strategy	39,930	44,120	44,250		4,320
Authentication Module	0	17,870	42,890	(42,890)	0
IT Development Time	37,500	45,000	45,000		7,500
PC & Mobile Devices Replacement Programme	178,010	56,150	178,010		0
Corporate Network Infrastructure	25,000	26,530	26,530		1,530
Benefits & Council Tax On-Line			(5,800)		
EXCELLENCE IN PUBLIC SERVICES					
Upgrade of E-FIMS to v4.1	30,000	0	30,000		
Capitalised Staff Costs	261,000	58,927	261,000		
CORPORATE SERVICES TOTAL	573,320	248,597	623,760	(42,890)	13,350

2012-13
CAPITAL MONITORING TO 31 DECEMBER 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	
	£	£	£	£	£	£	£	£	£	£
HRA CAPITAL										
EVERYONE HAS A HOME										
Adaptations	450,000	271,868		450,000						0
Rendering of Council Dwellings	260,000	182,818		260,000						0
MRA Fees	350,720	0		350,720						0
Communal Door Entry System	14,740	9,721		14,740						0
Environmental Improvements - General	55,060	15,231		55,060						0
Programmed Re-roofing	300,000	320,654		320,654						20,654
Energy Conservation	53,240	11,321		14,000			39,240			0
Asbestos Survey	180,000	108,784		180,000						0
Plastic Windows & Doors	20,000	11,815		20,000						0
Smoke Detector Replacements	200,000	0		200,000						0
LAINGS Refurbishments	5,000	485		5,000						0
Kitchen Replacements	2,663,260	979,749		2,663,260						0
Asbestos Removal Works	325,000	231,956		325,000						0
Bathroom Replacements - Programmed	887,350	433,992		887,350						0
Other Works	133,540	15,391		90,530			36,670			(6,340)
Repainting	43,850	17,072		43,850						0
Fire Precautionary Works to Flats	331,050	153,913		281,050						0
Communal Areas	148,110	11,886		98,110						0
Structural Repairs	51,490	11,504		31,490						0
Fire Alarms at Sheltered Accommodation	60,000	2,491		40,000						0
Replacement Concrete Canopies	243,150	87,885		243,150						0
Rennes House Heating Replacement	0	2,626		2,626						2,626
472 Topsham Road Adaptations	55,000	54,634		54,634						(366)
Acquisition of 16 Chanter Court	75,000	75,000		75,000						0
Programmed Electrical Re-wiring	797,280	575,730		584,730			212,550			0
Central Heating Programme	510,000	358,700		510,000						0
Boiler Replacement Programme	705,940	530,812		705,940						0
	260,000	216,148		260,000						0
HOUSING REVENUE ACCOUNT TOTAL	9,178,780	4,692,186		8,566,894			628,460			16,574

2012-13

CAPITAL MONITORING TO 31 DECEMBER 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
£	£	£	£	£
COUNCIL OWN BUILD CAPITAL				
Phase 3 Professional Fees	135,300	135,300		0
Phase 2 St Andrews Road	19,800	19,800		0
	27,447			
	4,633			
COUNCIL OWN BUILD TOTAL	155,100	155,100	0	0
CAPITAL AND PROJECT EXPENDITURE TOTAL	20,101,360	17,415,321	2,656,940	(23,299)

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 20 MARCH 2013

EXECUTIVE
9 APRIL 2013

COUNCIL
23 APRIL 2013

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 nine months, for the 2012/13 financial year.

2. REVENUE POSITION – EXECUTIVE SUMMARY

FUND	Latest Approved Budget	Stewardship Variance December 2012	Outturn Forecast 2012/13
	£	£	£
General Fund	13,116,075	(334,306)	12,781,769
HRA*	(2,320,270)	2,086,270	(234,000)
Council own Build Houses*	(17,570)	(30,690)	(48,260)
* (surplus) / deficit			

GENERAL FUND – Appendix A

- 2.1 The Service Committee budgets shows a forecast underspend of £299,470 (2.18%) against a revised Service Committee Net Expenditure budget of £13,718,210 and an overall underspend of £334,306 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 underspend of £185,060)**

Cleansing Services is expected to overspend as a result of higher pay costs and higher waste disposal costs due to larger tonnages of waste. These have been partially offset by water saving measures in public conveniences but have contributed to an anticipated overspend of £65,160

Grounds Maintenance is expected to overspend as a result of higher pay costs, increased Arboricultural work and dealing with illegal campers. This has been partially offset by reduced energy costs as a result of the installation of solar panels, income from the sale of scrap metal, and income from rents and sale of equipment in excess of the estimate resulting in an anticipated overspend of £55,040.

In overall terms, General Fund Housing is expected to achieve a small underspend (£5,790), with overspends in Advisory Services and Housing Development more than offset by a saving in Private Sector Housing.

Both Directorate administration and the Directors costs are now reported within Resources resulting in a saving to the Committee of £240,490

Other variances within the Committee result in a net underspend of £58,980, leaving an anticipated total underspend for the Committee of £185,060.

2.4 Scrutiny Committee Economy – (An underspend of £775,660)

Car parking income is expected to exceed the estimate and has contributed to a projected £227,330 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 £245,880.

Additional income is expected in respect of the Matford Centre and Corn Exchange, contributing to an estimated underspend on Markets and Halls of £75,960.

Other variances within the Committee result in a net underspend of £226,490, leaving an anticipated total underspend for the Committee of £775,660.

2.5 Scrutiny Committee Resources – (An overspend of £161,250)

As a result of the change in subsidy in respect of Non HRA Rent Allowances, it is estimated that there will be a small decrease in subsidy for 2012/13 resulting in an additional cost of £51,850 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 in unapportionable overheads. Individual services throughout the Council have been charged the actual cost of redundancies to reflect where the subsequent savings will be made. Additionally, as the result of fewer employees paying in to the pension fund following the reduction in staffing, there has been an increase in payments to the pension fund to compensate for the shortfall. This has resulted in an overspend of £192,840.

Other variations caused by the senior management and further, ongoing restructures have caused an underspend of £152,140, leaving a total overspend of £161,250 for the Committee.

3. OTHER FINANCIAL VARIATIONS

- 3.1 There is a net transfer to Earmarked Reserves of £996,255, a reduction of £200,810 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 £66,000 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 £525,855 at 31 March 2013 after accounting for July approved supplementary budgets of £138,260. This represents a reduction of £535,603 against budget and would leave the General Fund Working Balance at £3,759,570 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 £234,000 in 2012/13 which will be transferred to the HRA working balance. This latest forecasts represent a decrease of £2,086,270 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. It is estimated that the working balance will stand at £5,998,423 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 £48,260 achieved in 2012/13, which will be transferred to the COB working balance. This represents an increase of £30,690 compared to the budgeted transfer to the working balance of £17,570. It is estimated that the working balance will stand at £76,466 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 £1.875m to £1.805m – a reduction of £70,000. Debts over 5 years old relate in the main to two services, Housing Benefit overpayments (£174,000) and Housing (£11,965).

Age of Debt	December 2011	December 2012
Up to 29 days (current)	£660,408	£932,272
30 days – 1 Year	£968,518	£837,077
1 – 2 years	£366,759	£382,480
2 – 3 years	£187,978	£195,517
3 – 4 years	£94,244	£136,319
4 – 5 years	£84,878	£65,421
5 + years	£172,577	£188,522
Total	£2,535,362	£2,737,608

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

	Outstanding Debt – 31 December 2012
	£
▪ Commercial rent	871,159
▪ Markets & Halls	17,046
▪ Trade waste	89,547
▪ Service charge and ground rent for leasehold flat owners	63,713
▪ Home call alarms	4,089
▪ Housing benefit overpayments*	1,181,947
▪ Recycling	50,797
▪ Leisure / Museums	49,731
▪ AFU	12,919
▪ Economy & Tourism	50,948
▪ HRA	105,297
▪ General Fund Housing	53,422
▪ River & Canal	29,563

- These overpayments occur largely due to claimants' change of circumstances which leads to a lower benefit entitlement once a reassessment is made. This figure represents about 2.4% of the total annual benefits paid and more than 90% of these amounts are usually recovered.

6. DEBT WRITE-OFFS

6.1 The following amounts have been written-off during the first nine months of 2012/13:

• Council Tax	£	121,328
• Business Rates*	£	0
• Sundry Debt	£	22,340
• Housing Rents	£	107

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

7. CREDITOR PAYMENTS PERFORMANCE

7.1 During the first nine months of 2012/13, the percentage of invoices paid within 30 days was 95.1%, 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 £299,470 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 £525,855 from the General Fund Working Balance.
- 8.2 The forecast General Fund Working Balance at 31 March 2013 is £3,759,570 and equates to 28.4% of the General Fund net expenditure.
- 8.3 It is estimated that the HRA working balance will be £5,998,423 and the Council's Own Build Balance will stand at £76,466 at 31 March 2013.
- 8.4 The creditors' payment performance has dropped slightly and is currently 95.1%.

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 December 2012
 - The creditors' payments performance

ASSISTANT DIRECTOR FINANCE

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

Background papers used in compiling the report:

None

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APPENDIX A

GENERAL FUND
2012/13 REVENUE ESTIMATES - SUMMARY
as at 31 December 2012

	Annual Budget £	Supplementary Budgets £	Revised Annual Budget £	Year End Forecast £	Variance to Budget Q3 £	Variance to Budget Q2 £
SCRUTINY - COMMUNITY	13,552,090	55,200	13,607,290	13,422,230	(185,060)	214,400
SCRUTINY - ECONOMY	(2,537,130)	71,060	(2,466,070)	(3,241,730)	(775,660)	(440,120)
SCRUTINY - RESOURCES	6,094,780	12,000	6,106,780	6,268,030	161,250	(247,450)
Senior Management Restructure	(500,000)		(500,000)	0	500,000	500,000
less Notional capital charges	(3,029,790)		(3,029,790)	(3,029,790)	0	0
Service Committee Net Expenditure	13,579,950	138,260	13,718,210	13,418,740	(299,470)	26,830
Net Interest	150,000		150,000	84,000	(66,000)	(75,000)
Local Services Support Grant	(505,470)		(505,470)	(505,470)	0	0
New Homes Bonus	(1,322,665)		(1,322,665)	(1,322,665)	0	0
Minimum Revenue Provision	1,076,000		1,076,000	1,107,164	31,164	31,164
General Fund Expenditure	12,977,815	138,260	13,116,075	12,781,769	(334,306)	(17,006)
Transfer To/From(-) Working Balance	(923,198)	(138,260)	(1,061,458)	(525,855)	535,603	192,986
Transfer To/From(-) Earmarked Reserves	1,197,065		1,197,065	996,255	(200,810)	(175,493)
General Fund Net Expenditure	13,251,682	0	13,251,682	13,252,169	487	487
Formula Grant	(8,257,807)		(8,257,807)	(8,257,807)	0	0
Council Tax Freeze Grant	(237,283)		(237,283)	(237,770)	(487)	(487)
Council Tax Net Expenditure	4,756,592	0	4,756,592	4,756,592	0	0
Working Balance	March 2012	£ 4,285,425		£ 3,759,570	March 2013	

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HOUSING REVENUE ACCOUNT
2012/13 REVENUE ESTIMATES - SUMMARY
as at 31 December 2012

Code	Approved Annual Budget	Current Outturn Forecast	Variance To Budget	Variance To Budget
	£	£	Q3 £	Q2 £
85A1 Management	2,992,070	2,839,030	(153,040)	(84,420)
85A3 Sundry Lands Maintenance	262,170	262,170	0	0
85A4 Repairs Fund Contribution	9,924,020	12,215,390	2,291,370	2,087,550
85A6 Capital Charges	0	0	0	0
85A8 Rents	(17,387,550)	(17,496,350)	(108,800)	(153,800)
85B2 Interest	1,889,020	1,945,760	56,740	56,740
85B4 Variance in Working Balance	2,320,270	234,000	(2,086,270)	(1,906,070)
Net Expenditure	0	0	0	0
Working Balance	1 April 2012 £ 5,764,423	31 March 2013	£ 5,998,423	

COUNCIL OWN BUILD SITES

Code	Approved Annual Budget	Current Outturn Forecast	Variance To Budget	Variance To Budget
	£	£	Q3 £	Q2 £
H006 Rowan House	(6,450)	(6,650)	(200)	(180)
H007 Knights Place	(36,400)	(51,610)	(15,210)	(16,110)
H008 Capital Financing	15,000	10,000	(5,000)	(5,000)
H009 Capital Charges	10,280	0	(10,280)	(10,280)
Variance in Working Balance	17,570	48,260	30,690	31,570
Working Balance	1 April 2012 £ 28,206	31 March 2013	£ 76,466	

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 20 MARCH 2013

BUDGET MONITORING REPORT TO 31 DECEMBER 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 DECEMBER 2012

- 2.1 The current forecast suggests that net expenditure for this committee will increase from the revised budget by a total of £161,250 before transfers to and from reserves, which represents a variation of 0.98% 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:

	£
2012/13 REVISED BUDGET	16,372,560
86A1 REVENUE COLLECTION / BENEFITS	51,850

As a result of changes in subsidy in respect of Non-HRA Rent Allowances, it is estimated that there will be a small decrease in subsidy for 2012/13 resulting in an additional cost of £51,850.

86A2 ELECTIONS & ELECTORAL REGISTRATION	(2,970)
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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.

86A3	CORPORATE	(39,750)
	<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>	
86A4	CIVIC CEREMONIALS	68,700
	<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>	
86A5	DEMOCRATIC REPRESENTATION	(15,260)
	<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>	
86A7	UNAPPORTIONABLE OVERHEADS	192,840
	<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> <p>As the result of fewer employees paying in to the pension fund following the reduction in staffing, there has been an increase in payments to the pension fund to compensate for the shortfall.</p>	
86A8	CHIEF EXECUTIVE SERVICES	(133,190)
	<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>	
86A9	STRATEGIC/COMMUNITY PARTNERSHIPS	5,060
	<p>There has been a reallocation of staff time since April 2012 to reflect work being undertaken supporting Community Partnerships.</p>	
86B1	TREASURY SERVICES	(24,100)
	<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>	

86B2 INTERNAL AUDIT (65,000)

The post of Head of Internal Audit was deleted from the establishment from April 2012, resulting in pay savings.

86B3 HUMAN RESOURCES (18,320)

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 (18,050)

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 (113,650)

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 STRATEGIC DIRECTORS**86,590**

The post of Director Corporate Services was deleted from the establishment from April 2012, resulting in pay savings. The costs associated with the Strategic Directors have been included within this management unit.

2012/13 EXPECTED FINAL OUTTURN	16,533,810
LESS INTERNAL RECHARGES	(10,951,760)
TRANSFER FROM RESERVE	(129,240)
EXPECTED NET EXPENDITURE	5,452,810

3. CAPITAL BUDGET MONITORING TO 31 DECEMBER 2012

- 3.1 The current Resources Capital Programme is detailed in Appendix 2. The appendix shows a total forecast spend of £623,760 in 2012/13 against a budget of £573,320. Below are explanations for the main variations from the approved programme and a general update on the schemes is also included:

Electronic City**Server and Storage Strategy (Budget £39,930)**

There has been a small overspend in the cost of upgrading the equipment.

Authentication Module (Budget £0)

The Executive approved the deferral of a number of schemes in the September budget monitoring report. At the time it was expected that this scheme would be deferred until 2013-14 as the Government had not finalised the detail of the programme. However, this has now been approved and it is anticipated that £42,890 will be spent in the current year. The budget of £64,000 in next year's programme will be reduced accordingly.

IT Development time (Budget £37,500)

An estimate is made at the time of setting the budget on the amount of IT development staff time that can be capitalised each year. It is estimated that by the end of the financial year that the £37,500 budget will be overspent by £7,500, taking expenditure to £45,000. The work relates to transferring all of the Council's IT legacy platforms to a modern secure way of accessing this old historic data that the Council still needs to keep and have access to.

Corporate Network Infrastructure (Budget £25,000)

There has been a small overspend in the cost of upgrading the equipment.

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

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**SCRUTINY COMMITTEE - RESOURCES
BUDGET MONITORING**

APRIL 2012 TO DECEMBER 2012

ORIGINAL ANNUAL BUDGET	SUPPLEMENTARY BUDGET	CAPITAL CHARGES	REVISED BUDGET EXC CAPITAL CHARGES	CODE	CURRENT OUTTURN FORECAST	CURRENT FORECAST VARIANCE	QUARTER 2 FORECAST VARIANCE
£	£		£		£	£	£
2,256,900			2,256,900	86A1	2,308,750	51,850	(65,200)
370,780		1,600	369,180	86A2	366,210	(2,970)	(2,970)
903,420			903,420	86A3	863,670	(39,750)	(39,750)
240,710		31,170	209,540	86A4	278,240	68,700	68,700
896,410			896,410	86A5	881,150	(15,260)	(15,260)
1,016,670			1,016,670	86A6	1,016,670	0	0
409,890			409,890	86A7	602,730	192,840	55,440
1,148,240		6,610	1,141,630	86A8	1,008,440	(133,190)	(133,190)
41,960			41,960	86A9	47,020	5,060	5,060
3,312,320		97,710	3,214,610	86B1	3,190,510	(24,100)	(16,010)
233,950			233,950	86B2	168,950	(65,000)	(63,440)
892,920		3,370	889,550	86B3	871,230	(18,320)	(15,890)
641,500			641,500	86B4	623,450	(18,050)	(1,230)
2,442,750	12,000	135,300	2,319,450	86B5	2,505,950	186,500	186,500
2,094,490		410,220	1,684,270	86B6	1,570,620	(113,650)	(98,650)
143,630			143,630	86B7	230,220	86,590	(111,560)
<u>17,046,540</u>	<u>12,000</u>	<u>685,980</u>	<u>16,372,560</u>		<u>16,533,810</u>	<u>161,250</u>	<u>(247,450)</u>
(10,951,760)			(10,951,760)		(10,951,760)	0	0
<u>£ 6,094,780</u>	<u>£ 12,000</u>	<u>£ 685,980</u>	<u>£ 5,420,800</u>		<u>5,582,050</u>	<u>161,250</u>	<u>(247,450)</u>
				Transfers to/from Earmarked Reserves:			
				Redundancy reserve	(129,240)	(129,240)	(95,280)
				OVERALL FORECAST EXPENDITURE FOR THE YEAR AFTER MOVEMENTS TO/FROM RESERVES	5,452,810	32,010	(342,730)

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2012/13
CAPITAL MONITORING TO 30 DECEMBER 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
		£	£	£	£	£
5RESC		CORPORATE SERVICES				
		ELECTRONIC CITY				
7RELEC						
Z1507	B ARJ00N	1,880	0	1,880		0
Z1510	B ARJ00N	39,930	44,120	44,250		4,320
Z1529	B ARJ00N	0	17,870	42,890	(42,890)	0
Z1544	B ARJ00N	37,500	45,000	45,000		7,500
Z1550	B ARJ00N	178,010	56,150	178,010		0
Z1551	B ARJ00N	25,000	26,530	26,530		1,530
7REXCE						
Z1245		30,000	0	30,000		0
		261,000	0	261,000		0
		573,320	189,670	623,760	(42,890)	13,350
		CORPORATE SERVICES TOTAL				

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 20 MARCH 2013

INTERNAL AUDIT PLAN 2013/14

1. PURPOSE OF THE REPORT

- 1.1 To seek the Committee's approval of the 2013/14 Internal Audit Plan.

2. BACKGROUND

- 2.1 The Internal Audit Strategy was established in line with internal control and risk management best practice, and was used to establish the Audit Plan.
- 2.2 The Council's Internal Auditors use the 'Enterprise Risk Management Approach' (ERMA) they devised to check that there are adequate internal controls and separation of duties and that risk is adequately considered throughout the Council. This approach ensures that non-financial systems (such as information governance, health & safety and risk management) are afforded the same 'fundamental systems' status as the traditionally important financial systems (such as creditors, housing benefits, payroll and council tax).
- 2.3 The fundamental systems are audited on an annual basis using the Council's 'Enhanced Systems Based Auditing control matrices' testing papers, whilst the remaining 'non-fundamental' systems will be audited either biennially for medium risk systems or once during the four-year cycle for low risk systems.
- 2.4 The two main risk areas are Housing and Housing Benefits. The plan maintains good coverage for Council Tax to allow for the new legislation relating to Council Tax support.. During 2012/13 Internal Audit conducted a review of the Housing Private Sector Leasing Scheme and identified a significant number of weaknesses (details are included in the Internal Audit half yearly report). Management accepted the majority of the audit recommendations and have used the Internal Audit report to assist with the review of the Housing service. However, Private Sector Leasing is only one part of the Housing system and the time allocated during 2013/14 will be used to review other aspects of the Housing system. Housing benefits is considered high risk because of the national problem of external claimant fraud and the serious financial affect that would be caused should the Council's benefits subsidy claim be reduced due to significant input or classification errors.
- 2.5 In addition to the risk analysis, the Senior Auditors have also met with Assistant Directors and Corporate Managers to discuss their strategic priorities, any specific concerns they may have and to enable the audit plan to feed into the system review process. The outcomes of these meetings have fed into the 2013/14 Internal Audit plan.

3. RECOMMENDATION

- 3.1 That the 2013/14 Internal Audit Plan be approved.

ASSISTANT DIRECTOR FINANCE

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

Background papers used in compiling the report:

None

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INTERNAL AUDIT PLAN 2013/14	Days
Housing	68
Housing Benefits (inc HB Subsidy)	60
Creditors (inc Corporate CC)	55
ICT	40
Contracts & procurements	30
People management (inc Payroll, PAYE, Travel & Subsistence, Flexitime, Car Mileage)	30
Council Tax	30
Main Accounting (inc VAT)	25
Income Management	22
Risk management & BCM	20
Counter Fraud/Anti-Fraud (inc self assessment)	20
Information Governance	15
Corporate governance (AGS, etc)	15
Museums service	14
Health & safety	12
Debtors	12
NDR	11
Planning Control	10
External Funding & Grants	10
Car Parks	8
Bereavement Services	8
Building Control	8
Sustainability	8
Licensing	7
Fleet Management	7
Allotments	7
Markets and Halls	7
Leisure Contract	7
Facilities Management	7
Land Charges	6
Insurance	5
External Audit & NFI	5
Contingency (special/frauds, etc)	50
Total	639

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 20 MARCH 2013

INTERNAL AUDIT WORK – 2nd 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 **Housing** – an audit of the Private Sector Leasing Scheme was conducted and 23 high or medium risks were identified. All but 3 of the recommendations were accepted and the audit report is being used to assist with the review of the Housing service. With regard to the 3 recommendations not accepted by line managers, the Assistant Director Housing and Contracts has requested that Internal Audit has further discussions with the managers as part of the audit follow-up and advise her of the managers' responses.
- 3.3 **Housing benefits** – this audit focused on the system being developed to help customers who present to the Council with a Financial or Housing Problem. Specifically, the audit examined the benefit assessments being carried out by the Redesign Team. At the time of the audit this process was at an experimental or learning stage. The audit identified 8 high or medium risks, the most significant being that, from a sample of 30 new benefit claims, 7 cases (23%) were identified where the entitlement to benefit was incorrectly calculated and claimants were either over or underpaid. The potential subsidy losses could have amounted to £517,083 and if these errors were extrapolated to cover a full year, the loss would be £906,536. However, as these have been identified and corrected before the subsidy claim is submitted the losses have been avoided. All claims assessed by the Redesign Team during this learning stage have since been reassessed.

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

- 3.4 **Computers** – an audit of the Council's ICT service desk was conducted and 7 medium risks were identified. All of the recommendations were agreed.

3.5 **Payroll** – an audit of the Payroll system was conducted and 20 medium risks were identified. All but 2 of the recommendations were agreed and for the 2 that were not agreed the manager was able to provide a satisfactory reason for not accepting the recommendation.

3.6 **Council Tax**

1) Valuation, liability and billing – an audit was conducted and 9 medium risks were identified. All but one of the recommendations were agreed and the system's controls are considered to be good.

2) Collections, refunds and recovery – the draft report is about to be issued, therefore, the results of this audit will be reported in the next half yearly report to this committee.

3.7 **Insurance** – the draft report is about to be issued, therefore, the results of this audit will be reported in the next half yearly report to this committee.

3.8 **Treasury Management** - the draft report is about to be issued, therefore, the results of this audit will be reported in the next half yearly report to this committee

3.9 **Main accounting part one budget setting** – the audit did not identify any high or medium risks.

3.10 **NNDR** – an audit of NNDR identified 8 medium risks and all recommendations were agreed.

4. **RECOMMENDATIONS**

4.1 That the Internal Audit Report for the 2nd half-year of 2012/13 be received.

ASSISTANT DIRECTOR FINANCE

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

Background papers used in compiling the report:

None