

## SCRUTINY COMMITTEE - RESOURCES

16 June 2010

### Present:

Councillor Coates (Chair)

Councillors Martin, M A Baldwin, P J Brock, Hobden, D J Morrish, Prowse, Shepherd, P A Smith, Sterry and Thompson

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

### Also present:

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

Councillor Cole – Portfolio Holder for Business Transformation and Human Resources

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

Ms J Masci: Representative from Grant Thornton, the Council's External Auditor

### **32 Minutes**

The minutes of the meeting held on 24 March 2010 were taken as read and, subject to the following amendment to Min. No.15 - Questions from the Public under Standing Order No.19 by substituting the following "...with regards to the footpath and that there was a better route which would be cheaper and easier to construct. The proposed route has many drawbacks including the moral hazard of rewarding criminal behaviour" were signed by the Chair as correct.

### **33 Declarations of Interest**

Members made no declarations of interest.

### **34 Interim Audit Report**

Mr Morris from Grant Thornton, the Council's External Auditors, outlined to Members the changes affecting CAA and Use of Resources that had recently taken place with regards to new Government Guidance.

Ms Masci from Grant Thornton, the Council's External Auditors, presented the Council's Interim Audit Report. She informed Members of the findings and the recommendations for 2009/10.

Mr Morris informed Members that the Interim Audit report was completed before the Government had announced the abolition of the CAA and the suspension of work on the Use of Resources. However it should be noted that overall the Council had made sound achievement notwithstanding all the other issues it had been dealing with.

In response to Members' questions, Mr Morris stated that in light of the changes with regards to CAA and Use of Resources he could not say what effect there would be on future audit fees. This was a matter for the Government and the Audit Commission. The high level review of the general IT control environment involved password complexity, sign on processes and appropriate levels of access.

The Scrutiny Committee - Resources thanked the auditors and noted the report.

(Report circulated)

### 35 **Portfolio Holders to present the priorities for the forthcoming year**

The Leader presented the following priorities for the forthcoming year in terms of the budget and providing value for money across the Council's services:-

#### **Strategy**

- The key role of the Council was to provide services to improve the quality of life for people in Exeter, to reduce inequalities and to facilitate the economic growth of the city
- The detail of how these objectives were being delivered was outlined in the other Portfolio Holders' reports to Scrutiny Committees. However the Council's long-term capacity to deliver on these objectives was dependant on strong control of its finances in these financially challenging times
- The Leader felt that it was his role to balance the Council's priorities and to ensure that benefits to Exeter citizens were sustainable and fairly accessed now and in the future.

#### **This Year so Far**

- Exeter residents continued to enjoy the fifth lowest level of District Council Tax, despite the relatively high percentage rise this year
- Exeter suffered a poor grant settlement of just 0.8% increase. This equated to £91k. This was the end of the three-year settlement
- Good Auditor reports continue to indicate sound financial performance
- Icelandic Banks investments continue to be uncertain
- Potential losses from Icelandic investments must now be accounted for; the government had rejected the Council's bid to captilise the losses. As a result, the Council would have to account for a potential loss of £694k.

#### **Increased revenue pressures**

- Concessionary Fares final net cost over three years was £3.7m. Funding was being transferred to Devon County Council, but care needed to ensure that core funding was not unfairly depleted to pay for this
- Investment income remained low, with low interest rates
- Car Park revenues were suppressed and Planning & Building Control Income low
- A further £1m of savings had been integrated into the 2010/11 budget on top of last years £2.5m of savings. This was again on target to be achieved.
- Tight management of vacancies and identifying opportunities for efficiencies.

#### **Budget**

- The overall budget under-spend was £768k
- Projected withdrawal from balances was £1,685k with the Budget being £2,500k

## **This year's outlook**

- Likelihood of relief from the funding of concessionary bus fares
- Major fiscal problems nationally being addressed by the Coalition Government
- Likelihood of frozen/reduced grant settlements
- Uncertainties on Unitary
- Threats of further income falls
- The Council would need to look at ways to generate income; pre-application fees had now been introduced
- Increased demand on services such as housing
- Disproportionate effect of public sector cuts
- Continued savings required to stabilise budget
- Sufficient reserves required to weather a "second phase" of recession
- Continued monitoring of performance against budget
- £600k-£1,400k of further savings required over following two years.

In answer to Members' questions, Councillor Fullam commented:-

- Once the cuts in grant settlements were known, the Council would have a clearer picture of the challenges it faces. There may be a need to look at the discretionary services that the Council provided
- The Leader was not supportive of a freeze on council tax but Exeter would fare better than some other authorities as its council tax was low and collection rates very good.

Councillor Cole presented a briefing note outlining the following priorities for the forthcoming year in terms of Business Transformation and Human Resources across the Council's services:-

### **Housing Benefits**

- The Benefits Service had produced a significant increase in assessing performance despite an increasing workload and this was acknowledged by the Audit Commission in its CAA Organisational Assessment
- The average time taken for assessing new claims had been reduced from 26 to 20 days and the average time taken to process changes of circumstances fell from 12 to 7 days; a remarkable achievement given the increase in claimants which rose from an overall caseload of around 9,500 to some 10,900
- The challenge was to maintain this performance in the coming year with a possible further rise in caseload and with 4 assessors on maternity leave out of a total establishment of 21
- Would be monitoring the position closely in the coming year but had every confidence in the staff's commitment to continue to provide a speedy and quality service.

### **Customer Contact**

- Numbers of customers visiting and telephoning the Customer Service Centre (CSC) continued to rise, particularly for Benefit enquiries, more services continued to be delivered from the Centre with Home Choice enquiries being the latest addition which had released a staffing and budget saving for the Council

- Customers accessing services via the CSC also have their transactions recorded on the Council's data systems which help the Council to plan and improve services in the future
- Keen to see more services delivered through the Centre where it could improve the customer experience and save resources
- It was important that customers had a choice of seeing or speaking directly to a member of staff if they wish to, not all customers were able to visit the Civic Centre or want to contact the Council only during normal office hours. For these customers, the Council was seeking to expand the range of automated services the Council delivered. This was also a cost effective way of dealing with service requests and queries so it was important that those that wish to access the Council via automated channels had the opportunity to do so
- The Council was currently investing in the technologies and infrastructure to enable more services to be accessed in this way including cleansing services, Choice Based Lettings and electoral registration.

## **ICT**

- IT underpins virtually all the services the Council provide and this would continue to be the case
- It was essential that the infrastructure that supported this was kept up-to-date and resilient as a failure in those systems would usually mean the suspension of a service. As the number and complexity of the Council's systems grow, so does the need for maintenance and development of those systems
- The Council would be reviewing how it would be delivering that resilience in the future so that the best use of all of its resources could be assured in the future.

## **Organisational Change**

- Although the driver for the major change to the way the Council operated may no longer be the creation of a unitary council, the financial challenges facing the Council over the coming years would still require it to dramatically overhaul the way it operated to reduce its costs
- Would need to ensure that the Council operated in a more streamlined and cost effective way to make every pound go as far as possible
- Human Resources and Treasury staff would have key roles to play in this process, at the same time as reviewing the way they work
- Required careful resourcing and planning to ensure that the appropriate advice and support to all service managers was available to help them respond to the difficult task they face
- Included consultation and engagement with staff and unions which would be critical to the success of the change programme
- The Council's staffing resource was critical to the successful delivery of its services; need to plan its future resource needs to ensure it had the right staff with the appropriate skills and abilities which would provide those high quality services in the future. A vital piece of work was underway to prepare a workforce plan and this would be brought to the Committee later this year.

In answer to Members' questions, Councillor Cole commented:-

- The workforce plan would give a detailed breakdown of the staff, qualifications, training undertaken and needs and how adaptable the workforce was
- Overpayment of housing benefit was mainly due to change in claimants circumstances; in some cases it could be difficult to trace residents

particularly when they move out of the area although a 90% recovery rate was high when compared to the performance of comparable councils.

The Scrutiny Committee- Resources noted the priorities for the forthcoming year.

## **PERFORMANCE MANAGEMENT**

### **36 AIM Property Maintenance Outturn Report 2009/10**

The joint report of the Head of Contracts and Direct Services, Head of Housing Services, Head of Treasury Services and Head of Estates was submitted. The fourth quarterly/outturn report covered the period from January to March 2010, including updated figures as at 30 April 2010.

The Scrutiny Committee – Resources noted the outturn financial position of the £7.4m programme of reactive and planned property maintenance and refurbishment for 2009/10, as detailed in the report.

(Report circulated)

### **37 Annual Results of Performance Monitoring 2009/10**

The report of the Director Corporate Services was submitted, which detailed the annual figures for the statutory and local performance indicators that related to the service provided by the Corporate Services Directorate.

In response to a question in respect of comparisons of the Performance Indicators on page 27 of the report, the Head of Human Resources stated that the figures would be obtained and circulated to Committee Members.

The Scrutiny Committee - Resources noted the report.

(Report circulated)

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

### **38 Capital Monitoring 2009/10 and Revised Capital Programme for 2010/11 and Future Years**

The Head of Treasury Services presented a report which advised Members of the overall financial performance of the Council for the 2009/10 financial year, in respect of the annual capital programme and to seek approval of the 2010/11 revised capital programme, including commitments carried forward from 2009/10.

Members were informed that the Capital expenditure in the year amounted to £16,589,717, a reduction of £9,023,453 on the planned figure of £25,613,170. The actual expenditure during 2009/10 represented 64.8% of the total approved for the revised Capital Programme, which meant £9.044 million would need to be carried forward to be spent in future years. Two capital projects where spend had been significantly less than anticipated were RAMM Redevelopment (£3.936 million) and Social housing Grants (£1.231 million), and these alone account for 57% of the shortfall.

The Head of Treasury Services stated that the revised Capital Programme for 2010/11, after taking into account the carried forward requirements from 2009/10, as well as additional approvals and other changes, now totalled £29,954,060.

A Member raised concerns regarding Higher Cemetery and the works being undertaken to the cemetery paths and the fencing off of an unsightly corner. This had caused some issues with local residents as they did not know about the works until they had started. He felt that Ward Members should be fully aware of work being undertaken in order that they could help resolve any issues before they occur.

In response to Members' questions, the Head of Treasury Services confirmed that the formal opening for RAMM was planned for December 2011. There would be a report to Executive with regards to the Home Recycling Scheme and the disabled adaptations included both public and private homes, a break down of these figures would be circulated to Members.

A Member expressed appreciation that funds were made available for the conversion of a 3 bed to a 4 bed house for a family in his ward.

The Scrutiny Committee - Resources noted the overall financial position for the 2009/10 annual capital programme and recommended that Council approve the amendments to the Council's annual capital programme for 2010/11.

(Report circulated)

### 39 **Overview of Revenue Budget 2009/10**

The Head of Treasury Services presented a report on the overall final financial performance of the HRA & General Fund Revenue Budget for the 2009/10 financial year ended 31 March 2010.

The final accounts showed an overall reduction in the HRA working balance from £2,858,265 to £2,681,729 a decrease of £176,536 as compared with the planned reduction of £682,100. At 31 March 2009 the General Fund working balance was £5,583,113 and a deduction of £1,685,358 had been made at 31 March 2010 leaving the current balance at £3,897,755. The council tax in-year collection rate had slightly increased in comparison with the previous year. The collection rate for 2009/10 was 97.6% compared with 97.4% in 2008/09.

Members were informed that the outstanding debt at 31 March 2009 was £4.061m, by 31 October 2009 it stood at £3.001m, at 31 December 2009 it was £3.571m and at 31 March 2010 it was £3.616m. An aged debt analysis showed that of the £3.616m debt, £1.522m was less than 30 days old. Debt over 30 days old had decreased over the quarter from £2.410m to £2.095m.

In response to Members' questions, the Head of Treasury Services stated that the Parks and Open Spaces budget was overspent due the reactive repairs budget and this would be highlighted for future years budgets; some of the debt over 5 years dated back to 1993/94 and debts that were recovered through a attachment of earnings could take many years to claim back. The budget for the Archaeological Filed Unit was being closely monitored and they had recently been successful in securing additional two contracts.

The Scrutiny Committee - Resources noted the report and requested that Council note the overview of the Resources Budget 2009/10 and approve the following:-

- (1) the net transfer of £57,486 from Earmarked Reserves as detailed in paragraph 3.13 of the circulated report;

- (2) the Supplementary budgets totalling £152,160 as detailed in paragraph 3.9 of the circulated report;
- (3) the Earmarked Reserves at 31 March 2010;
- (4) the Council Tax account and collection rate;
- (5) the outstanding sundry debt and aged debt analysis;
- (5) the Creditor Payments performance;
- (6) having regard to the General Fund working balance at 31 March 2010 of £3,897,755, the overall financial position of the Council as set out in paragraph 3.8 of the circulated report: and
- (7) the Housing Revenue Account working balance at 31 March 2010 of £2,681,729.

(Report circulated)

#### 40 **Treasury Management 2009/10**

The Head of Treasury Services presented a report on the overall performance for the 2009/10 financial year and the position regarding investments and borrowings at 31 March 2010.

Members were informed that the actual net interest paid was £212,897 against an estimate of £300,000 which was a variation of £87,103. The overall rate of return for the Investment Fund was 1.18% during 2009/10. This performance represented a 0.75% increase over the 7-day benchmark of 0.43%. As interest rates remained very low, the Council would continue to use short term borrowing to manage its cashflow. Current rates for borrowing were between 0.30 and 0.60% for 2-6 months.

The Head of Treasury Services updated Members on the Icelandic bank position and stated that it could take up to 8 years to realise the investment from Landsbanki.

The Head of Treasury Services stated that investments were only placed with companies that meet the credit rating criteria stipulated in the Council's investment policy.

The Scrutiny Committee – Resources noted the Treasury Management report for the 2009/10 financial year and recommended approval by Council.

(Report circulated)

#### 41 **Annual Governance Statement**

The Head of Treasury Services presented a report which set out the proposed Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2009/10. This Statement also incorporated the Council's Code of Corporate Governance which was published on the Council's website.

The Scrutiny Committee – Resources

- (1) supported the Annual Governance Statement; and

- (2) recommended that Council note and approve the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2009/10.

(Report circulated)

**42 Delivering Value For Money**

The Head of Treasury of Services presented a report which provided an overview on the Council's performance in trying to achieve value for money cash efficiency savings for the previous financial year.

Members were informed that £624,400 had been identified as value for money gains in 2009/10, this equated to value for money gains of £17 per Band D dwelling.

The Scrutiny Committee - Resources noted the report and requested the endorsement by Executive of the savings identified in the draft 2009/10 schedule as part of the Council's overall submission for National Indicator 179.

(Report circulated)

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

**43 Revenue Final Accounts 2009/10**

The Head of Treasury Services presented a report to advise Members of the overall financial performance of Resources Committee revenue accounts for the financial year ended 31 March 2010.

In response to Members' questions, the Head of Treasury Services stated that the budget provision for the cost of Local Government Review was shown as a underspend, although until a final decision had been made on Local Government Review, his advice would be not to re-allocate this budget.

The Director Corporate Services informed Members of a charge that the Post Office was introducing to businesses to ensure delivery of post before 9:00am. He stated that where possible, mail was sent second class or by electronic means although there were services within the Council that required the dispatch of information via first class post.

The Scrutiny Committee- Resources noted the report.

(Report circulated)

**44 Workforce Profile Report 2009/10**

The Head of Human Resources presented the report which updated the Committee with a comprehensive workforce profile for the Council between April 2009 and March 2010.

Members discussed the sickness figures and, in particular, the absence due to stress and questioned if these figures could be broken down into work-related stress and stress relating to an employee personal life.



The Director Corporate Services stated that if the sickness related to a work issue, then steps were taken to address that issue and would be discussed at the return to work interview with the manager. Most of the absence due to stress was certificated by GPs. Although the figures reported in the Express and Echo had significantly misrepresented sickness levels, the Council was working with the union to address sickness issues and reduce absence.

A Member stated that it would only need a small number of employees to be on long term sick to push the figures up.

In response to a Member, the Head of Human Resources stated that employees did not need a certificate unless they were off for more than seven days and she would look into assessing what percentage of stress was self certificated.

The Scrutiny Committee - Resources noted the contents of the report which will also be shared with the Employee Liaison Forum (ELF) and supported the proposed actions as outlined in the circulated report.

(Report circulated)

**45 Annual Learning and Development Report 2009/10**

The Head of Human Resources presented the report summarising the Member and employee learning and development activities undertaken during 2009/10.

The Chair commented that average attendance of Councillors at each briefing was only 10.

The Scrutiny Committee - Resources noted the training and development activities undertaken throughout the year and the proposals for the future development of this part of the HR service.

(Report circulated)

**46 Members Allowances Paid 2009/10**

The Assistant Chief Executive presented the report setting out the allowances and expenses paid to Elected Members and Co-opted Members in the financial year 2009/10.

It was noted that the allowances shown were generated by the council's payroll system and therefore did not include Members who did not claim their allowance. This would be altered for future reports to include all Councillors. It was noted that Councillor Prowse had not claimed an allowance.

The Scrutiny Committee - Resources noted the allowances paid to Members in 2009/10.

(Report circulated)

The meeting commenced at 5.30 pm and closed at 7.45 pm

Chair