

Scrutiny Committee  
28 March 2011

**IRVINE, 28 March 2011** - At a Meeting of the Scrutiny Committee of North Ayrshire Council at 2.00 p.m.

**Present**

John Hunter, Anthea Dickson, Matthew Brown, Andrew Chamberlain, Anthony Gurney, Jean Highgate and Alan Munro.

**In Attendance**

I. Mackay, Solicitor to the Council; I. Colvin, Corporate Director and J. McCrae, Locality Manager (Social Services and Health); M. Armstrong, Head of Logistics and Infrastructure and M. Rainey, Principal Officer Resources (Education and Skills); A. Herbert, Corporate Director, Y. Baulk, Head of Finance and P. Doak, Senior Manager Internal Audit and Risk Management (Finance and Infrastructure); A. Anderson, Economic Development Manager, S. Bale, Policy and Performance Officer and A. Little, Committee Services Officer (Chief Executive's Service).

**Also In Attendance**

A. Haseeb and T. Yule, External Audit, Audit Scotland.

**Chair**

Councillor Hunter in the Chair.

**Apologies for Absence**

Alex Gallagher, Pat McPhee and David Munn.

**1. Declarations of Interest**

In terms of Standing Order 16, Councillor Hunter, due to a family association, declared an interest in Item 7: Implementation of Community Payback Orders, vacated the Chair, and withdrew from the meeting for that item of business. Councillor Dickson assumed the Chair for that item.

Councillor Dickson, as the substitute member of the Ayrshire Criminal Justice Joint Committee, declared an interest in Item 7: Implementation of Community Payback Orders.

**2. Minutes**

The Minutes of the previous meeting of the Committee held on 14 March 2011 were signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

### **3. Revenue Budgetary Control Statement to 31 January 2011**

Submitted report by the Corporate Director (Finance and Infrastructure) on the revenue budgetary control statement to 31 January 2011.

The Revenue Budgets for 2010/11 were approved at a Special Meeting of the Council held on 11 February 2010.

In relation to the final out-turn for 2010/11, current indications suggest that a net in-year surplus of £5.684m will arise by 31 March 2011, which will require to be added to the balance brought forward at 1 April 2010. In accordance with the Council's policy on reserves, £5.118m requires to be held as an uncommitted balance, being 1.5% of the planned gross revenue expenditure for 2011/12. A report on final proposals for the use of uncommitted funds will be presented to the Council on completion of the statutory accounts for 2010/11.

Explanations for significant variances were set out in the report and its appendices. In terms of General Services Revenue, an in-year underspend of £5.684m is forecast for the reasons set out at Section 2.4 of the report, namely improved efficiency, the deferment of initiatives, service efficiencies and savings, and anticipated savings in Loan Charges. Proposals for the earmarking of balances within the 2010/11 projected General Services out-turn were outlined in Section 2.14 of the report.

With regard to the Housing Revenue Account, the total projected closing balance for the year to 31 March 2011 is £6.495m. The accumulated balance required to fund the HRA revenue budget for 2011/12 is £2.196m. It is anticipated that the underspend on the Homelessness service of £138k will be required to contribute towards the costs of delivering that service during 2011/12. Any additional balance will be used to fund capital investment in the Council's housing stock and to contribute towards planned Council house building projects in line with the objectives of the 30-year HRA Business Plan.

Members asked questions, and received clarification, on:-

- The underspend of £105k in relation to the Support into Employment projects, in particular the Working for Families Project, due to a decrease in applications as a result of the lack of job opportunities within North Ayrshire;
- The current shortfall in income of £0.360m in Planning Application and Building Warrant fees, offset by savings from vacant posts and underspends across a number of other areas and the approved budget for 2011/12;
- Savings achieved within Education and Skills and anticipated savings arising from the restructuring of Community Learning and Development and Libraries;
- Backdated utilities and water bills anticipated for new school buildings;

- Effective early intervention in reducing the requirement for additional educational support needs for both day and residential school places; and
- A reduction in the anticipated consultancy fees to Grant Thornton

The Committee agreed (a) that the Corporate Director (Finance and Infrastructure) provide information on the payment of consultancy fees to Grant Thornton to Members directly; and (b) otherwise to note the report.

#### **4. Capital Monitoring to 31 January 2011**

Submitted report by the Corporate Director (Finance and Infrastructure) on the position at the end of January 2011.

At its meeting on 1 February 2011, the Executive considered the Capital Monitoring report to 30 November 2010 and approved revisions to the Capital Plan for the years 2010/11 to 2012/13.

The Capital Programme Working Group has reviewed the General Services programme to update projections on forecast total spend against each project. Due to improved management arrangements, efficiencies have been secured in projects and underspends generated totalling £1.528m. Section 2.3 of the report proposed that £0.562m be transferred from the flexibility budget to Dalry Primary School to offset the overspend on that project and that £0.278m also be transferred from the flexibility budget to fund the increased costs of Foulerton Arches. The Working Group is currently developing proposals for the use of the remaining uncommitted 2010/11 funding of £0.518m, alongside consideration of options for the use of £2.208m excess funding for 2011/12 outlined in the General Services Capital Programme 2011/12 and 2012/13 report approved at the Special Council Meeting of 2 February 2011. The group's recommendations will be presented to the Executive on 29 March 2011 for consideration.

The report provided information on the level of the budgets within Capital and the Major Revenue Projects as at 31 January 2011, taking into account movements between 30 November 2010 and 31 January 2011, which were outlined in Appendix 1 to the report. Details of actual spend by project against the revised budget for 2010/11 were set out in Appendix 2. Income for 2010/11 was estimated at £23.501m.

Actual expenditure in terms of major revenue expenditure to 31 January 2011 amounted to £3.373m or 46.7% of the revised annual budget for 2010/11 of £7.217m. Details of actual spend by project against the revised budget for 2010/11 were set out in Appendix 3 to the report.

With regard to the Housing Revenue Account, actual expenditure to 31 January amounted to £16.554m (61.6%) of the annual budget of £26.867m. Details of the annual budget for 2010/11 and expenditure to 31 January 2011 were set out in Appendix 4 to the report. Income from the sale of Council houses in the period to 31 January 2011 amounted to £1.368m, or 72%, of the annual budget of £1.9m. It is anticipated that a further £0.277m will be received by 31 March 2011, resulting in total income for the year of £1.645m.

Members asked questions and were provided with information in relation to:-

- Difficulties experienced and lessons learned from the Dalry Primary School project;
- The increased costs of Foulerton Arches as a result of an acceleration of the completion timeframe;
- The Library HQ refurbishment and upgrade heading within Appendix 2 that related to the refurbishment and upgrade of the Greenwood Centre; and
- The work of the Capital Programme Working Group in progressing existing projects for 2011/12, addressing over/underspends and new monitoring procedures.

The Committee agreed (a) that further information be provided directly to Members by (i) the Corporate Director (Finance and Infrastructure) in relation to the fees and project management costs associated with the Dalry Primary School project; and (ii) the Corporate Director (Social Services and Health) in relation to the Care First projects; and (b) to otherwise note the report.

## **5. The Cost of Public Sector Pensions in Scotland (Audit Scotland, February 2011)**

Submitted report by the Corporate Director (Finance and Infrastructure) on the key issues raised by Audit Scotland in relation to the cost of public sector pensions in Scotland.

The Independent Public Services Pension Commission review, published on 10 March 2011, recommended significant changes to both the contributions structure and the retirement benefits which if adopted will result in both short-term and long-term savings to the public sector in the cost of pension provision. The Audit Scotland report 'The Cost of Public Sector Pensions in Scotland' supplements the Commission's review and sets out information on the six main public sector pension schemes in Scotland.

In 2009/10, North Ayrshire Council made employer contributions of almost £23.9million to the two schemes of which it is a member. The Council has around 5,700 employees who are members of one of the schemes and the report outlined the recent levels of growth in employers' contributions.

A number of changes which have been made in recent years or which have been recommended through the Pensions Commission report should help alleviate the financial pressure on employer contributions in the future. These include the move from retail prices index to consumer prices index for pension increases, the introduction of 'cap and share' schemes with higher employee contributions, the Pensions Commission's recommendations to increase retirement age and for a move away from final salary schemes to career average salary based pension schemes. All of these changes will have the effect of reducing the future liabilities of pension schemes.

Noted.

## **6. External Audit: Audit Plan**

Submitted report by the Corporate Director (Finance and Infrastructure) on the External Audit work plan for 2010/2011.

External Audit activity is focused on the identification and assessment of key challenges and risks faced by the Council in achieving its business objectives. The appendix to the report provided an analysis of planned audit action by the Council's external auditors, Audit Scotland, including:-

- An audit of the Council's financial statements as at 31 March 2011 and provision of an opinion on whether they have been properly prepared and present fairly the Council's financial position, income and expenditure at that time;
- The findings of the shared risk assessment process;
- A review and assessment of the Council's governance and performance arrangements in a number of key areas; and
- An opinion on a number of grant claims and returns.

Appendix A to the report set out a range of governance and other risks, the related source of assurance received and the audit work proposed to secure additional assurance. Appendix B provided a timetable for the financial statements audit. Appendices C and D gave, respectively, a summarised curriculum vitae for each core member of the audit team and details of plans to place reliance on the work of the Council's internal audit team in a number of areas.

Members asked questions and received further information in relation to:-

- Work underway to update the constitutional documents and a range of procedural instructions; and

- The reference in the Audit Plan that there was no evidence that procedures had not been followed, which was clarified to confirm that there had been some deviations from procedures, as highlighted in a number of Internal Audit reports.

Noted.

## **7. Implementation of Community Payback Orders**

Submitted report by the Corporate Director (Social Services and Health) on the introduction of the Community Payback Order.

The Criminal Justice and Licensing (Scotland) Act 2010 introduced the new community sentence of Community Payback Orders (CPO), amending the Criminal Procedure (Scotland) Act 1995. The CPO replaces Probation Orders, Community Service Orders and Supervised Attendance Orders and their introduction includes a presumption against custodial sentences of 3 months or under. The orders have 9 requirements, namely supervision, unpaid work/other activity, programmes (of which there are 3 types available in Ayrshire), residence, mental health, drug treatment, compensation and conduct. There will be annual consultation with the community on unpaid work placements, which the Scottish Government expects to include a wide range of consultees, from the Chief Constable and Sheriff Principal to the Community Planning Partnership and individual community groups such as community councils.

Members asked questions and were provided with information in relation to:-

- The unchanged funding levels of the Section 27 budget for 2011/12;
- The allocation of funding by the South West of Scotland Community Justice Authority to the four local authorities and proposals regarding funding allocation;
- Engagement with the community on the type of unpaid work projects that should be undertaken; and
- Health and Safety requirements and the availability of guidance from the Council's Health and Safety Forum.

The Committee agreed that the Corporate Director (Social Services and Health) seek guidance from the Council's Health and Safety Forum in relation to CPO work projects.

The meeting ended at 3.00 p.m.