

Scrutiny Committee
27 September 2010

IRVINE, 27 September 2010 - At a Meeting of the Scrutiny Committee of North Ayrshire Council at 3.00 p.m.

Present

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

In Attendance

E. Murray, Chief Executive; A. Herbert, Corporate Director, C. Hatton, Head of Environment and Related Services, R. Samson, Principal Officer Estates and Energy Management, J. Steadman, Energy Officer (Finance and Infrastructure); I. Colvin, Corporate Director (Social Services and Health); M. Armstrong, Head of Resourcing and Infrastructure (Education and Skills); M. Ferrier, Team Leader Development Plans (Corporate Services); J. Montgomery, General 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

David Munn.

1. Declarations of Interest

There were no declarations of interest by Members in terms of Standing Order 16.

2. Minutes

The Minutes of the previous meeting of the Committee held on 30 August 2010 were signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

3. Revenue Budget 2010/11: Budgetary Control

Submitted report by the Corporate Director (Finance and Infrastructure) on the budgetary control position for the Council at the end of June 2010.

At its meeting on 31 August 2010, the Executive considered a report on the budgetary control position for the Council at the end of June 2010. The Executive agreed to (a) note the balances outlined in the report; and (b) refer the report to the Scrutiny Committee for information.

The Revenue Budgets for 2010/11 were approved at a special meeting of the Council held on 11 February 2010. The Council budgeted for a surplus of £0.390m in 2010/11, allowing for in-year flexibility. In August 2010, the Executive approved a report recommending a reduction of £0.157m in a savings measure for the Children's Outreach Service, to be funded from the in-year flexibility provision. Based on current expenditure and income levels, early indications suggest that a net deficit of £0.384m will arise by 31 March 2011. The draft accounts for 2009/10 indicate a favourable balance of £4.929m at 31 March 2010 resulting in a projected surplus of £4.545m at 31 March 2011 and an analysis of this position was set out in the report. There is a projected surplus of £3.269m on the Housing Revenue Account against a budgeted surplus of £1.674m.

In relation to the budgetary performance of Services, explanations for major variances were set out in appendices 1 to 8 of the report. An update on the pay award settlement for non-teaching staff was provided. Action will be required to address any potential overspends where these exist, excluding those issues which the Council has previously agreed to meet from balances.

Members asked questions and received information in relation to:-

- Historic accounting practices which devolved budgets to schools, and changes in future reporting to provide more detailed information from Education and Skills;
- The provision of detailed information in relation to "Other Agencies and Bodies" within the Revenue Estimates;
- The achievement of savings in telephone line rental as a result of contract negotiations;
- The impact of vacant properties within Bridgegate House on the Central Property Account;
- Under-recovery of rental income from vacant industrial and commercial properties and steps being taken to improve their marketing;
- The variance in Older People's Services budget as a result of standby payments, flexible care costs and free personal care; and
- Savings anticipated in Building Services as a result of vacant posts and a reduction in overtime, partly offset by agency staff cover.

The Committee agreed (a) to note the balances outlined in the report; and (b) that information in relation to the savings anticipated in Building Services be provided directly to Members.

4. Capital Monitoring to 30 June 2010

Submitted report by the Corporate Director (Finance and Infrastructure) on the position of the Council's Capital budget at 30 June 2010.

The Capital budget for the years 2010 to 2013 was approved at a special meeting of the Council on 11 February 2010.

At its meeting on 31 August 2010, the Executive considered a report on the capital balances brought forward from 2009/10 and the level of capital spend in the period 1 April to 30 June 2010. The Executive agreed to (a) note the actual expenditure to 30 June 2010 against budgets previously approved, (b) defer consideration of any new bids until after the announcement of the Government's spending review; (c) receive a report at its next meeting on the scope for utilising the identified underspend of £1.665m to advance other projects; and (d) refer the report to the Scrutiny Committee for information.

In relation to point (c) above, the Executive received a further report at its meeting held on 22 September 2010. The Executive approved the use of £0.495m (excluding the new Largs day care provision) to fund 5 projects outwith the approved capital programme, and agreed that the balance of £1.17m be retained and a further report brought back to the Executive before the end of the calendar year.

The report provided information on the level of the budgets within Capital and the Major Revenue Projects as at 30 June, taking account of budgets underspent in 2009/10 and brought forward into 2010/11.

Actual expenditure on the General Services Capital Plan to 30 June 2010, amounted to £2.742m or 8% of the revised annual budget for 2010/11 of £34.365m. This compares with an actual spend of 12% for the same period in 2009/10. Details of actual spend by project against the revised budget for 2010/11 were set out in appendices 1 and 2 to the report. Income for 2010/11 is estimated at £6.8m, comprised mainly of capital grants.

An Officers Group, comprising representatives from all Services, was set up to monitor the progress of the capital plan at a strategic level. The Group established that an underspend of £4.6m will require to be delayed into future years and details of the projected underspend were provided in the report. Work continues to ascertain whether any projects can be advanced from future years. The lead in time for capital projects suggests that this may not be possible this year and discussions are therefore taking place to consider how this may be addressed in future years.

Actual expenditure on the Housing Revenue Account (HRA) to 30 June 2010 amounted to £2.338m, 8.7% of the annual budget of £26.898m. This compares with an actual spend of 10.9% for the same period in 2009/10. Details of the annual HRA budget for 2010/11 and expenditure to 30 June 2010 were provided in appendix 3 to the report. Income from the sale of Council houses in the period to 30 June amounted to £0.278m against an annual budget of £1.9m.

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

- Underspend in previous capital budgets and reasons for the underspend in current projects;
- The Capital Programme Working Group's role in (i) progressing existing projects, thereby addressing the current underspend in the capital programme; and (ii) reducing the lead-in time for future projects; and
- The tender saving achieved in relation to the Shewalton Landfill site.

Noted.

5. Report on Annual Accounts by External Auditor

Submitted report by the Corporate Director (Finance and Infrastructure) on matters arising from the audit of the Council's accounts for the year to 31 March 2010.

The External Auditor reported on the 2009/10 audit of the Council, setting out the main findings and key outcomes from the 2009/10 audit, and the outlook for the period ahead.

The Auditor's report, a copy of which was appended to the report, gave an "unqualified" opinion on the financial statement of the Council for 2009/10 (subject to the receipt of revised financial statements reflecting agreed amendments) and concluded that the financial statements give a true and fair view of the financial position of the Council for the year to 31 March 2010.

The audit report highlighted issues identified during the audit of the accounts in relation to:-

- Ordering and certification of goods and services and the processing of creditor invoices;
- Authorisation and certification of Members' expenses;
- Provision for staff costs;
- Icelandic Banks; and
- An objection to the accounts under section 101(2)(a) of the Local Government (Scotland) Act 1973.

The issues identified will continue to be monitored and major issues that arise will be reported back to the Committee for further consideration.

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

- The segregation of officers' duties in relation to the authorisation and certification of Members' expenses;
- The provision of an Internal Audit update report on internal audit work undertaken since 1 June 2010 to the next meeting of the Committee;
- The differing views of External Audit and the Council in respect of disclosure the Statement on the System of Internal Financial Control (SSIFC) of Internal Audit's findings in relation to the governance arrangements in place for Members' expenses;
- Actions to reinforce compliance with financial regulations, including any areas highlighted in the forthcoming Internal Audit Action Plan, particularly in respect of the ordering and certification of goods and services and the processing of creditor invoices;
- The cost of reorganising of community service functions;
- An objection to the financial statements relating to Largs Common Good and Trust Funds that included 15 issues previously raised and 4 new issues; and
- Current legal advice in relation to Icelandic bank preferential creditor status and sums transferred to the financial instruments adjustment account to defer the impact of the loss in both 2008/09 and 2009/10 accounts.

Noted.

6. Scotland's Climate Change Declaration

Submitted report by the Chief Executive on progress against the commitments made in the Climate Change Declaration.

On 31 August 2010, the Executive considered a progress report against the commitment made in the Climate Change Declaration and agreed (a) to note the progress against the commitments in Scotland's Climate Change Declaration; (b) that a climate change action plan be drawn up for 2010/11 so that the next Annual Report can better measure progress on whether targets and outcomes have been achieved; (c) to receive an annual report on the action plan in due course; and (d) to remit the report to the Scrutiny Committee for its information.

In March 2006, the Scottish Executive published "Changing our Ways: Scotland's Climate Change Programme", which outlined its policy on tackling climate change in Scotland. It is acknowledged that this is a global problem and the Scottish Executive considered that Scotland had a responsibility to help tackle climate change. All Scottish local authorities subsequently signed up to a declaration that acknowledged that local authorities accept that climate change is occurring and commits to take action to both mitigate and adapt to climate change.

The Council has made progress in meeting its commitments in the Climate Change Declaration in year 2009/10, as detailed in the appendix to the report. The main action to meet the commitments is the Council's Carbon Management Strategy and Implementation Plan which is reviewed annually. The aim of the Plan is to reduce the Council's overall carbon emissions and, for 2009/10, the Council's overall carbon emissions amounted to 64,378 tonnes against a target of 68,926 tonnes.

An annual statement monitoring progress on the Council's climate change response will continue to be submitted to the Executive and the CoSLA Climate Change Task Group.

Members asked questions and received further information in respect of:-

- The use of predicted carbon emissions to provide a baseline for the Carbon Management Plan;
- A change in conversion factors for electricity, gas, coal oil and diesel to carbon dioxide in 2009/10 preventing meaningful statistical comparisons between previous years;
- The increased number of street lights and the provision of carbon efficient lighting in new housing developments;
- The extensive range of policies and design guides taken into account when determining planning applications;
- The inclusion of a greenhouse gas emissions policy within the Local Development Plan (LDP), forthcoming secondary legislation and national guidance on the implications at local level;
- A range of low and zero carbon generating technologies proposed as permitted development;
- The balancing of competing demands to make sure land is used and developed in the long term public interest; and
- Responsibility for the removal of fallen trees in and around watercourses as the result of severe weather.

The Committee agreed (a) to note the progress against the commitment in Scotland's Climate Change Declaration; and (b) that information be provided directly to Members on (i) the method used to calculate greenhouse gas emissions; and (ii) the assistance available to schools for school travel plans and walk to school initiatives.

The meeting ended at 4.40 p.m.