

## SCRUTINY PANEL

### 19 AUGUST 2014

<i>Present :-</i>	Councillor Beverly Davies (Chairman) Councillors Mark Cable, Dominic Graham, Jo Hayes, Marcus Harrington, Peter Higgins and Chris Pearson.
<i>Apologies :-</i>	Councillor Peter Higgins
<i>Substitute Member :-</i>	Councillor Nick Cope for Councillor Peter Higgins
<i>Also present :-</i>	Councillor Paul Smith

#### **9. Minutes**

The minutes of the meeting held on 16 June 2014 and 9 July 2014 were confirmed as a correct record.

#### **10. Work Programme 2014-15**

Councillor Beverly Davies introduced the Scrutiny Panel work programme for 2014-15. Councillor Davies highlighted the Crime and Disorder Committee which is scheduled in for September and asked for members of the Panel to submit questions in advance of the meeting to ensure that those members attending could provide more in depth answers. The Chairman highlighted that she had already submitted a request for information on knife crime and CCTV in Colchester.

Councillor Hayes highlighted the issues of vandalism and graffiti, as well as in particular persistent tagging. Councillor Lissimore stated that this could be linked to a wider Street Team review.

Regarding future meetings of the Scrutiny Panel, Councillor Davies stated that the Sport and Leisure Fundamental Service Review, currently scheduled for November, would be deferred as the Trading Board will be looking into the commercial aspects of Sport and Leisure in the near future. In addition due to the number of items at the November meeting, the Corporate and Financial Management Fundamental Service Review will be moved to the meeting on 2 December 2014.

A review of public events in castle park has also been scheduled to be included for the October meeting of the Scrutiny Panel.

The inclusion of firstsite into the work programme was also discussed. The Panel would like the opportunity to look at firstsite, and discussions were undertaken around the best timing for this to take place considering that the arts facility will be holding its own review imminently. Councillors also suggested the possibility of reviewing the Service Level Agreement with firstsite.

**RESOLVED** that:

- 1) the Work Programme for 2014-15 be noted.

- 2) the Chairman of the Scrutiny Panel, on behalf of the members, send a letter to the Director of firstsite, Matthew Rowe, to seek further information about the review of firstsite, and to invite firstsite to attend the Panel.

## **11. 2015/16 Budget Strategy, Medium Term Financial Forecast and Budget Timetable**

Sean Plummer introduced the report, which highlights Colchester Borough Council's Budget strategy for the next municipal year. The report asks for comments on the budget strategy, which was approved by Cabinet on 10 July 2014.

The report highlighted a predicted budget gap of £1,093m. This figure is based on provisional figures provided as part of the 2014/15 Government Grant, which predicts a reduction in funding of £1.5m, however this is yet to be confirmed. In addition, there are a number of cost pressures including an added provision for inflation, and the impact of the new Park and Ride on car park income. The assumptions also include a freeze in Council Tax for the next year.

Sean Plummer stated that this budget gap prediction already includes identified savings of £1.2m, and the assumption is that any increase in the New Homes Bonus would not be used in supporting the underlying budget gap. Work is on-going from 14/15 into 15/16 to identify further measures to address the budget gap, with detailed proposals to be presented to the Scrutiny Panel in January.

The Medium Term Financial Forecast is based on the assumption that Colchester Borough Council will have a budget gap of over £1m for each year, with recurring cost pressures that the Council has to manage.

The following issues were identified by Panel members;

- Councillor Pearson – Queried whether the pay award as listed in Paragraph 3.4 was recurring; asked for further information regarding the China exhibition, and how the £300,000 figure for reduced car parking income was achieved.
- Councillor Harrington – Questioned the election costs for each year, considering the different types of election that take place within the Borough.
- Councillor Lissimore – Queried the level of savings for ground maintenance, and whether the frontline service could still be maintained.
- Councillor Davies – Are the savings identified achievable?
- Councillor Pearson – Requested further information about the VAT exemption limit and the risk associated.
- Councillor Lissimore – Requested further information about what the £318,000 funding for the Gosbecks site will be used for.

In response to the issues raised, the following information was provided by Sean Plummer, Councillor Paul Smith and Ann Hedges:

- The pay award is an agreed non-consolidated amount, a one off payment just for this year. With regard to the China Exhibition there have now been two displays, which are jointly funded by Essex County Council and Colchester Borough Council, although Essex County Council provide a higher level of funding. Both exhibitions saw an increase in income for Colchester. As part of the arrangement, in return for the displays, an exhibition from Colchester will be taken to China this October. As

part of this, school children were able to get involved and choose the exhibits. The agreement will also see a refund of £75,000 in 15/16 which was a form of guarantee for the return exhibition. With regard to the car parking, the figure was an indicative estimate based on early forecasts. The results of more detailed modelling are currently being assessed by the Cabinet.

- The increase in the total for elections for 2014/15 reflected the fact that there were no Borough Elections in the previous year. This cost is then classified as recurring and is built into the budget. Costs when there are other elections (e.g Essex County) will be higher but Colchester receives a contribution to cover these costs.
- Councillor Smith stated that in reducing the budget for the grounds maintenance, Colchester Borough Council will do its best to minimise the impact on frontline services.
- Councillor Smith stated that the savings identified are achievable, and that the identified savings in previous years had also been achieved. Sean Plummer commented that the Financial Monitor item later in the agenda contains information showing that the savings are currently on track.
- The claim for exempt VAT can be no more than 5% of the total VAT that Colchester Borough Council pays. If this 5% is breached then Colchester Borough Council would have to pay back all of the exempt VAT, which would total £500,000.
- Councillor Smith stated that the funding for the site is currently being used for site maintenance, particularly since the Roman Circus was discovered. However, if an improved usage for the site can be found the funding will be utilised.

*RESOLVED* that the 2015/16 Budget Strategy, Medium Term Financial Forecast and Budget Timetable be noted.

## **12. Treasury Management – Annual Report 2013/14**

Steve Heath presented the report on Treasury Management performance during 2013/14. Treasury Management is considered by the Panel on three different occasions during the year, with an update of half year progress being reported in November, and the strategy for the coming year considered as part of the pre-scrutiny of the budget in January.

The report is a requirement of the Chartered Institute of Public Finance and Accountancy Code of Practice, and the Council's own Treasury Management Policy Statement, and it highlights all borrowing and investment activities of the Council. The Council employs Capita Asset Services to provide a consultancy service for treasury management, including advice on debt and investments.

Steve Heath highlighted the main elements of the strategy for the year, which anticipated that the UK Bank Rate would remain at a historically low 0.5%. The borrowing strategy has been to continue borrowing internally, as the investment rates are lower than long term borrowing rates, and the exposure to risk was reduced. The Council's investments during the year had no direct exposure to the Eurozone, and Colchester Borough Council is no longer a creditor of the Icelandic Bank LBI.

The following issues were identified by Councillors:

- Councillor Pearson – Questioned the level of return from the Icelandic bank investments.
- Councillor Harrington – Asked for further clarification of the figures regarding the Icelandic Bank investment, and whether it was prudent to go with Banks that are not

triple A rated. In addition Councillor Harrington also questioned the long term debt level.

- Councillor Pearson – Requested a confidential item to discuss the matter of the Icelandic banks investments.
- Councillor Davies – Questioned the disparity between the estimated new borrowing requirement of £64,000 and the actual borrowing requirement of £1,013m in 2013/14.

In response to the issues raised, the following information was provided by Steve Heath and Councillor Paul Smith:

- The original amount impaired was £872,000 as shown in the 2010/11 accounts. As a result of the Council subsequently gaining priority creditor status and a revised repayment schedule the impairment was reduced to £347,000 in the 2012/13 accounts. The proceeds of the sale were slightly higher than the resulting carrying value of the investments.
- In response to Councillor Harrington, the Icelandic claim made included the level of interest for the original three months of the investment. With regard to the banks there is currently a shortage of British banks that have a triple A rating, however as they are backed by the Bank of England and the Government, investments are recommended.
- The level of long term debt was increased by £74m in 2011/12 as a result of the Government's reform of the Housing Revenue Account subsidy system. This formed the best possible strategy at the time as favourable interest rates were available for this new debt.
- The disparity occurs as the 13/14 estimate is made in November/December prior to the new financial year. The Council's Capital programme is a rolling one, and in many cases it is difficult to estimate the total spend until the end of the year when all the precise details have been received.

*RESOLVED* that the Treasury Management – Annual Report 2013/14 be noted.

### **13. 2014-15 Financial Monitor, April-June**

Sean Plummer introduced the report regarding the General Fund Services and Housing Revenue Account for the first three months of the financial year, and current projections for the full year. The current projected outturn for the General Fund is an underspend of £92,000, and the Housing Revenue Account is £50,000.

*RESOLVED* that the 2014-15 Financial Monitor for April-June be noted.

### **14. Capital Expenditure Monitor 2014/15**

**Councillor Cable entered the meeting prior to this item.**

Steve Heath presented the Capital Expenditure Monitor for the first three months of the financial year up until the end of June.

The total spend so far in the quarter is £1.9m, which represents 7.6% of the predicted spend for the year. There are currently no schemes categorised as red, and ten schemes as amber.

The following issues were identified by Councillors:

- Councillor Lissimore – Is there any resale value for the old bailer currently in use at the Shrub End Depot?
- Councillor Harrington – Questioned who the statue at Layer Road was going to be? Is there any hope for further funding for the Creative Business Hub after the EU funding was lost?
- Councillor Hayes – What are the new issues that have been uncovered at the Pumping Main?
- Councillor Hogg – Sought further information regarding the volume of cases waiting for Disabled Facilities Grants.
- Councillor Lissimore – Questioned the progress of flat recycling schemes, which has yet to be implemented, and an update on food waste for flats as this issue was not mentioned in the reports.
- Councillor Cope – Queried why the Castle was regarded as amber in project progress, when the museum is complete.
- Councillor Davies – Asked for clarification over the Garrison Gym being classified as amber, when spend and forecast is listed as £0.

In response to the issues raised, the following information was provided by Steve Heath and Councillor Paul Smith:

- The bailer that is situated at Shrub End is currently 25 years old, and was reconsolidated when purchased. A resale of the bailer is therefore unlikely, but there may be scrap value which would be added to the Capital budget if achieved.
- The statue is going to be of Peter Wright, who was voted by Colchester United fans as the player of the century.
- The Creative Business Hub scheme is on the South East Local Enterprise Partnership priority list, and progress will hopefully be made in seeking additional funding.
- Further information regarding the Pumping Main will be provided to the Panel after the meeting.
- The Disabled Facilities Grant is to be spent across the whole of the Borough, looking into residents housing needs. Further information about this will be provided after the meeting.
- Further information will be provided after the meeting on the progress of recycling in flats and the situation with regards to food waste.
- The castle museum is still categorised as an amber project due to retentions on building projects of this size. The facility is operating correctly, coming in under budget, with the amber categorisation relating to the invoices that have yet to be received.
- The Garrison Gym is categorised as amber as Colchester Borough Council are awaiting information from the insurance company in regard to the claim. In theory the payment should be equal to the cost, but this may not be the case, as the Council is still awaiting information from the assessors.

## **15. Annual Scrutiny Report**

Councillor Beverly Davies introduced the draft version of the Annual Scrutiny Report, which provides a summary of the work undertaken by the Scrutiny Panel during 2013/14. The final report will be presented to Council for consideration in October.

The Panel discussed the contents of the report particularly regarding the Call-in of the Allotment Charges and Review of Tenancy Agreements. Councillor Smith highlighted that the issue of Allotment Charges had been to the Trading Board for review, and will seek further information about the report coming to the Scrutiny Panel.

Councillor Davies stated that she would attend the Council meeting to present the report and outline the lessons learnt from the Allotment Call-in.

In addition, the Panel considered the possibility of creating a meeting between the Chairman of the Scrutiny Panel, Governance Committee, and the Trading Board to ensure that the work programmes of each meeting do not overlap.

*RESOLVED* that the Annual Scrutiny Report be noted.