

FINANCE AND AUDIT SCRUTINY PANEL

29 JUNE 2010

Present :- Councillor Dennis Willetts (Chairman)
Councillors Christopher Arnold, Nick Cope,
Scott Greenhill, Sue Lissimore, Jon Manning,
Colin Mudie, Kim Naish and Colin Sykes

Also in Attendance :- Councillor Paul Smith

3. Minutes

The minutes of the meeting held on 23 March 2010 was confirmed as a correct record.

The minutes of the meeting held on 19 May 2010 was confirmed as a correct record subject to the panel's title being corrected to show Finance and Audit Scrutiny Panel.

4. Year End Internal Audit Assurance Report 2009-10

Ms. Elfreda Walker, Finance Manager and Mr. Alan Woodhead, Deloittes internal auditors, attended the meeting for this item.

Ms. Walker presented the report on the Year End Internal Audit Assurance report 2009-10, highlighting the summary of audits finalised in the final quarter of 2009-10, as shown in appendix 1 of the report.

In regards to audit 428, Fleet Management and the recommendation not agreed, "that the Council should consider the implementation of a rolling programme of checks to verify eligibility to drive Council vehicles", Mr. Woodhead said a follow-up audit by Deloittes had found that the additional checks had been implemented. Mr. Warboys, Head of Resource Management explained that all statutory checks are in place and fully evidenced, that the recommendation was going beyond the statutory requirement.

Following some confusion about the overall position in regards to the Fleet Management work and subsequent audits, and further to this meeting, Mr. Woodhead provided the following explanation;

"On an annual basis all licences are checked to ensure that drivers remain eligible to drive council vehicles. This process is in place and was verified as part of the internal audit work and this meets the minimum corporate requirements.

However, in addition to the annual check, local procedures have been developed that also entail checking the licences on a quarterly basis. This additional check helps identify where a driver may have incurred additional penalty points and would therefore help identify at an early stage if drivers become ineligible to drive council vehicles. At the time of the audit the quarterly checks had not been completed for two members of staff due to their annual leave, and had not been followed up on their return.

As the check is in addition to the required annual check, the recommendation of a

rolling programme was not agreed, as the licences would be part of the full re-examination of licences which is undertaken in October each year.

The recommendation was given a priority 3 rating, which is the lowest category in terms of importance in the internal auditors rating scale. The definition of a priority 3 recommendation is a minor matter”.

Officers confirmed that the audit 444, Creditors and the recommendation not agreed, “that all staff operating within the Control Team are prevented from being able to access E-Financials”, this was about the separation of duties, and extra controls had now been put in place to do this.

RESOLVED that the panel commented and noted the Council’s performance relating to i) executing the internal audit plan for 2009-10, ii) performance of internal audit by reference to national best practice benchmarks, and iii) status of outstanding recommendations.

5. Year end Financial Monitor 2009-10

Mr. Sean Plummer, Finance Manager, attended the meeting for this item and presented the Financial Monitoring Report - 2009-10, an end of year report on the financial performance of the General Fund services and the Housing Revenue Account.

Mr. Plummer explained that the net underspend of £620,000 on the General Fund as reported at the third quarter stage to the panel in February 2010 had risen to the end of the year primarily due to an improved position in respect of technical or non-service areas. Within services, the overall income situation had seen fluctuations, as experienced by most Local Authorities, with income down in service areas such as sports and leisure and cemetery and crematorium.

Mr. Plummer gave an explanation on the positive variances to non-service income areas such as Housing and Planning Delivery Grant and VAT refund and the reasons for the shortfall in anticipated savings areas such as salary budgets, procurement and income generated from advertisements.

In response to Councillor Cope, Mr. Plummer said he believed the overall energy savings were in the region of £300,000 across all services. The report did not give a detailed breakdown of this figure but appendix C of the report did comment on the reasons for individual service area variances, highlighting energy, where applicable.

In response to Councillor Arnold, Mr. Plummer said whilst there was a net underspend on service area budgets of £850,000 attempts are made to make the budget forecasts as accurate as possible. That said there had been many factors causing the high variance and the positive news was the Council achieved more than was expected. The Budget is a set of assumptions at a point in time and officers do try to take account of all factors and learn for future budgeting.

Councillor Smith, Portfolio Holder for Resources and Diversity praised officers for

good budget management, work to reduce expenditure and increase income.

RESOLVED that the panel noted the financial performance of the General Fund Services and the Housing Revenue Account for the year 2009-10.

6. 2009-10 Capital Pre-audit Outturn

Mr. Steve Heath, Finance Manager presented the 2009-10 Capital Pre-audit Outturn report. Mr. Heath explained that the forecast spending for 2009-10 was £15.4 million, with 83% of this money spent and the differentials moved into the capital forecast for 2010-11.

In response to Councillor Manning, Mr. Heath said whilst the unfunded element of the Capital programme for 2010-11 was lower than it previously had been (£996,000), there will be additional items that will be added and that will require funding consideration.

Mr. Heath said he would give an explanation to the panel members on the capital works scheme for Bergholt Road flooding properties and golf course.

Following discussions between Councillor Arnold and Councillor Smith, Portfolio Holder for Resources and Diversity concerning the Northern Approach Road, it was agreed the completion of this scheme would rest with the Transport Authority and would include funding raised through S106 agreements from development of the Cuckoo Farm South Scheme. Councillor Smith said there was no intention by Colchester to provide any additional capital money. The Chairman said it would be useful for members to have a detailed update on the funding details of the Northern Approach Road link to the A12 junction.

RESOLVED that the panel;

- i) Noted the level of capital spending during 2009-10 and forecasts for future years.
- ii) Requested the Portfolio Holder for Business and Diversity to provide a detailed update on the funding details of the Northern Approach Road link to the A12 junction.

7. Work Programme

An outstanding item from 2009-10, the review of the financial aspects of a new park and ride scheme in North Colchester was considered by the panel. Councillor Arnold said the income from a successful park and ride scheme would be offset by the loss of parking revenue within the town centre. Set against this, there was not a profitable park and ride scheme in the country. A review was needed that would illustrate the relationship between income and expenditure and the overall financial impact. It was hoped that the modelling required for a new scheme had now started or been completed, and this review would be the final module of work.

Councillor Manning said this review would be the ideal time to consider a briefing note on the work of the Northern Approach Road.

The Budget Strategy 2011-12 is scheduled for review by the panel at the meeting on 25 January 2011, the day before the Cabinet decision. Mr. Warboys, Head of Resource Management suggested the panel could have their meeting, or hold an additional meeting one week prior to the schedule (18 January 2011) thereby allowing a less hurried approach, albeit that the inevitable last minute changes to the Budget paper would not be reflected in an earlier report.

Councillor Lissimore said whatever was decided on dates, could every effort be made to ensure the publication and dispatch of agendas is completed within the statutory deadlines thereby allowing members sufficient time to consider.

RESOLVED that the panel:

- i) Noted the work programme for 2010 -11.
- ii) Agreed to the review of the financial aspects of a new park and ride scheme in North Colchester, to be undertaken as soon as possible.
- iii) Agreed to retain the meeting of the 25 January 2011 for the review of the 2011/12 Budget Strategy.