

## **FINANCE AND AUDIT SCRUTINY PANEL**

### **28 SEPTEMBER 2010**

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

*Substitute Member :-* Councillor Pauline Hazell for Councillor Dennis Willetts

*Also in Attendance :-* Councillor Nigel Chapman  
Councillor Mike Hogg  
Councillor Paul Smith

### **23. Minutes**

The minutes of the meetings held on the 17 August 2010 and the 7 September 2010 were confirmed as a correct record.

The minutes of the meeting held on the 31 August 2010 was confirmed as a correct record (Councillor G. Oxford abstained from voting).

### **24. Items requested by members of the Panel and other Members**

Councillor Chapman addressed the panel to request that consideration be given to setting up a task and finish group to review the Mayoral Budget.

Councillor Chapman acknowledged that discussions on the Mayoral Budget are ongoing, but this was an opportunity to widen the remit of a review, to reconsider, and to put forward sensible proposals. Councillor Chapman believed it would be wrong to put the responsibility of any review on the Mayor's shoulders, but it would be appropriate for an outcome of the review to be parameters to enable the costs of the Mayoralty and of other civic events to be clearly distinguished.

Councillor Hogg addressed the panel and endorsed Councillor Chapman's comments. Councillor Hogg spoke about being a mayor, saying his year in the mayoralty was the most rewarding, but hardest year of work he had ever undertaken, with in excess of 1,500 invitations received. Councillor Hogg said Colchester was considered the premier borough on the Chain Gang circuit.

In summary, Councillor Hogg urged the panel to accept Councillor Chapman's request for a task and finish group to review the Mayor's budget including the role and duties of the Mayor.

Councillor Arnold clarified that unlike the Mayoralty itself, the provision of the annual Civic Budget is an executive function and therefore open to scrutiny. The panel could agree to set-up a task and finish group that would report back to the panel the findings and proposals. Any proposals to Cabinet would provide for a more informed 2011-12

Budget.

Councillor Naish asked whether the current task and finish group, already addressing some of the issues raised could continue with a wider remit.

Councillor Manning was concerned about the timing of a new task and finish group, and suggested the Cabinet set up a task and finish group, with invitations to the Mayor and Deputy Mayor to participate. Councillor Naish believed if this was the preferred option, the group should be made up of a mix of former mayor's and councillors. However, it was pointed out that this would introduce an unhelpful delay because the next meeting of Cabinet was three weeks away.

Councillor Oxford felt a task and finish group set up by the panel to feed information to the Cabinet was a sensible solution, but time was tight and this needed to be done as soon as possible.

Ms. Ann Wain, Executive Director explained that should the work of a task and finish group be completed beyond the formal budget timescales, any findings could still feed into the 'roll forward' budget process.

Councillor Arnold said the group would therefore need to meet swiftly, and report back to the Panel which would make recommendations to Cabinet prior to Christmas. The Terms of Reference of the Task and Finish Group would be agreed in advance of the first meeting, to take account of the panel's comments. The group itself would elect its chairman and decide from whom evidence should be taken.

RESOLVED that the panel;

- i) Agreed to form a task and finish group to consider all aspects of the Mayoralty function and the associated Mayor's budget.
- ii) Requested the panel's Group Spokespersons to put forward nominations for the Task and Finish Group to the Scrutiny Officer by the 1 October 2010.
- iii) Agreed for the Terms of Reference of the Task and Finish Group to be approved by the Panel's Group Spokespersons in advance of the first meeting.

## **25. Colchester Visual Arts Facility**

Mr. Geoff Bemrose from the Audit Commission and Mr. Ian Vipond, Executive Director attended the meeting for this item. Mr. Bemrose gave a brief presentation on the Audit Commission report.

The audit was undertaken between December 2009 and March 2010. Mr. Bemrose said there was a positive feel for the need to get the project completed, and positive views on the new contractual and monitoring arrangements.

Mr. Bemrose said significant risks still remained with the project, the Council's

acceptance to all risk for the final completion of the project, uncertainty about the outcome of legal action against the project's original contractors and the associated costs, and the outcome to the release of the contractor's bond.

Mr. Bemrose responded to Councillor Manning in confirming that whilst in the report the main conclusion said there was confidence by all partners to the May 2011 completion date, this was in relation to what they believed at the time of the audit. The auditors are not in a position to say whether the project would be completed on time as there remained a lot of work still to be done.

Mr. Ian Vipond, Executive Director, addressed the panel, explaining that the comments within the report relate to the time of the audit, whereas, we are now at a point where we are very confident of delivering phase 2 of the project. This confidence is also felt by the construction managers. Stage 2 of the procurement process is now complete and the tendering process, now in progress, suggests the overall costs will be slightly under budget.

Councillor Smith, Portfolio Holder for Resources and Diversity confirmed that an open day for members of the public was undertaken, with a tour of the interior of the new building. This was a successful event, organised through the Daily Gazette and Colchester United Football Club, resulting in a positive and encouraging response.

Mr. Vipond, in response to Councillor Naish and "Improved communications", said officers and members understood the negativity of this project given the history, but having turned the corner on construction, there was now a need, through the Communications Strategy to turn the focus on what people should look forward to in the not too distant future. Three developers are close to submitting proposals of redevelopment in the area, e.g. hotels, purely on the news of the progress made on the Visual Arts Facility. A co-ordinated partner approach would be undertaken in regards to communications to the public.

In response to Councillor Arnold, Councillor Smith said Firstsite has significantly improved their management arrangements, and are far more professional in their approach, providing a detailed Business Plan that included entry costs, visitor forecasts, accommodation provision etc. That said the recent further economic downturn meant there remained a high degree of risk, though contingencies were in place should the Business Plan prove optimistic. Firstsite are looking to attract a higher percentage of private financing for the Visual Arts Facility than is the case for any other similar project in the country.

In response to Councillor Cope, Mr. Bemrose said the comments made in paragraph 15 of the report, and in respect of the views of local councillors, might appear to be negative, but were a reflection of how some councillors felt. These comments help provide a balanced view, and it would be wrong to disregard them. They provided a word of warning.

Councillor Oxford said he hoped signage to the Visual Arts Facility would be better than that afforded to Tymperleys, and suggested it would be a nice idea given the close proximity of the building to the Dedham Vale, to have a John Constable exhibition soon

after the opening.

Councillor Smith said the new building would be named 'Firstsite', though the naming rights remained with the Council.

Mr. Vipond said the aim was to have the building and surrounding area a place that people would want to visit, to relax and involve themselves in a range of different things, not just a place to visit to view art.

In light of the reverse in fortunes to the financial arrangements for the Visual Arts Facility, and given the difficulty he and former Councillor Jones had previously had in determining the progress by Firstsite in fund raising for private money towards the project, Councillor Sykes remained sceptical that there was now a stream of businesses willing to invest in the project. Mr. Vipond said the fundraising target of £2,000,000 was largely coordinated by Firstsite, and was more or less raised through a variety of different sources. Mr. Vipond said there had always been a concern around the risk to the fundraising, given the problems with the build, but to his knowledge the fundraising pledges remained, a point confirmed by Councillor Smith. Inevitably, it was easier to raise or hold onto funds from private business once a project is close to completion or complete and there was now some optimism that Firstsite will receive further funding from art sponsors.

In response to Councillor Lissimore, Mr. Vipond said Firstsite will be overseen by the Council through the Service Level Agreement and the contractual agreement between the landlord (The Council) and the Lessee (Firstsite). The Business Plan was about finding ways to increase visitors and revenue through an enjoyable experience, with less emphasis on the level of admission charge. Councillor Smith said the relationship with the Council and Firstsite would be similar to that of our relationship with the Mercury Theatre, not one of conflict, but about close dialogue and the opportunity to help with funding ventures or initiatives. It was confirmed that entry would be free for general everyday events and services but a charge would be made for special exhibitions and the like.

Councillor Smith confirmed to Councillor Arnold that the Cabinet would ensure the delivery of bullet points one and three of recommendation 1 of the Audit Commission report.

*RESOLVED* that the panel noted the follow up report on the Visual Arts Facility and congratulated those responsible for turning the project around.

**Councillor Nigel Chapman, Councillor Colin Mudie and Councillor Kim Naish (in respect of being a member of the Board of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

**Councillor Colin Sykes (in respect of his spouse being a member of the Board of Colchester Borough Homes) declared a personal interest in the following item**

**pursuant to the provisions of Meetings General Procedure Rule 7(3)**

**26. Internal Audit Monitor 2010-11 - April to June**

Ms. Elfreda Walker, Finance Manager and Mr. Alan Woodhead, Deloitte attended the meeting for this item. Ms. Walker introduced the report in three parts, i) the Internal Audit Strategy and Work Programme, ii) the 1<sup>st</sup> quarter internal audit activity, and iii) the status of outstanding recommendations.

There were no questions to the first part of the presentation.

Mr. Charles Warboys, Head of Resource Management addressed the panel in relation to the second part of the presentation, explaining that the internal audit activity report was indicative of a trend that the organisation does challenge where appropriate the recommendations from an audit, whereas there was a time when all recommendations from an audit were agreed. Officers now work closer with the auditors on all aspects of an audit and subsequently have greater respect for the internal audit process. Councillor Arnold welcomed the progress made by officers.

In regards to the external recommendations and the Benefits Service Diagnostic, Mr. Warboys said the diagnostic was undertaken two years ago, but a further inspection has been carried out by the Audit Commission this year. The report is in draft stage and currently embargoed but in general they are pleased with the progress made, with many recent issues addressed and / or resolved through the ongoing fundamental service review. The final report will be presented to the Panel at a future meeting.

*RESOLVED* that the panel noted the Council's performance in relation to the Internal Audit Strategy, the 1<sup>st</sup> quarter internal audit activity, the performance of the internal audit by reference to national best practice benchmarks and the status of outstanding recommendations.

**27. Work Programme**

The panel noted that the Annual Audit Letter was to be brought forward from the January 2011 meeting to the meeting of 23 November 2010.

*RESOLVED* that the panel noted the 2010-11 Work Programme.