

FINANCE AND AUDIT SCRUTINY PANEL

26 FEBRUARY 2013

Present :- Councillor Dennis Willetts (Chairman)
Councillors Glenn Granger, Scott Greenhill, Marcus Harrington, Julia Havis, Theresa Higgins, Cyril Liddy and Jon Manning

Substitute Members :- Councillor Martin Goss for Councillor Ray Gamble
Councillor Philip Oxford for Councillor Gerard Oxford

42. Minutes

The minutes of the meeting held on the **22 January 2013** were confirmed as a correct record, subject to the following amendment. The final paragraph of minute 40. Revenue Budget to read as follows:-

“Councillor Granger said to enable meaningful and adequate scrutiny to be undertaken he felt that a significant amount of time should be set aside for members to be given a more in depth briefing by officers. The session should be more of an informal and private business style finance meeting. Members would be able to ask about each number and the detail behind them. This would be a half day or even full day session prior to the existing scrutiny panel which could retain its more formal public meeting status. Cllr Granger asks that the Chief Executive makes this recommendation in his letter to the auditors regarding improvements to scrutiny panels”.

43. Decisions taken under special urgency provisions

Councillor Willetts notified the Panel that he and Mr. Andrew Weavers, Monitoring Officer had certified the following decision HOU-012-12 "Addendum to the Housing Revenue Account Fees and Charges 2013/14". This decision was considered urgent under the special urgency provisions because it could not be delayed for the usual five day working period, and it would not be possible to provide five clear days notice of the decision to be taken.

44. Audit Plan

Mr. Gary Belcher, Audit Manager, Ernst & Young attended the meeting and presented the Ernst & Young Audit Plan for Colchester Borough Council for year ending 31 March 2013.

Mr. Belcher said the Audit Plan was different in so much that it reflected the Ernst & Young format, but was essentially the same as previous years, in terms of content.

The Audit Plan covered the work that Ernst & Young plan to undertake in the audit and will provide an opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2013, and a statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

Mr. Belcher drew member's attention to the key audit risks namely Fleet vehicle leases and lease accounting, and Risk of misstatement due to fraud or error, as detailed in paragraph 2 of the report. He added that the audit will focus on economy, efficiency and effectiveness and use Analytics, a computer based tool that enables auditors to capture financial data to help identify specific exceptions and anomalies and increase the likelihood of identifying errors, rather than using sampling techniques.

The Panel felt the grid on page 11 of the report that shows the overall assessment of risks in terms of their likelihood of occurrence and the perceived magnitude of risk needed to be clearer, that the lack of clarity meant it was misleading.

Mrs. Hedges, Executive Director responded to the Panel in respect of the risk about Fleet vehicle leases and lease accounting, by adding that the risk was about the process for providing the new fleet of vehicles under a new lease agreement, significant changes to the way leases are accounted for under IFRS and the scale of the contract of approximately £2.5m. These factors raised the level of risk.

RESOLVED that the Panel considered and noted the Audit Plan for year ending 31 March 2013 and requested clarity in the charts / grids to be illustrated in future reports.

45. Grounds Maintenance Contract Performance report

Mr. Bob Penny, Parks and Recreation Manager attended the meeting and presented the report detailing the performance of the Grounds Maintenance Contract.

It was explained that the contract, with a value of £1.4m is carried out on behalf of the Council by Veolia Environmental Services Ltd, a ten year partnering arrangement that commenced in April 2006.

Mr. Penny explained that Default Notices are issued when there are serious breaches or where it is not possible to rectify the action that has been taken, and since April 2006 there have been 3 default notices issued, but all in connection with the Cemetery and Crematorium. There is a break clause option in the contract effective from March 2013 and external auditors were commissioned to determine whether the contract continued to provide value for money. Cabinet Members believe it does, and the contract will therefore continue until 31 March 2016.

Mr. Penny spoke about the challenging year of 2012, with excessive rainfall impacting on the grass cutting, the prime summer activity, with soft ground, wet grass and excessive growth leading to problems for the contractor, who in spite of these was able to maintain a good standard of work rather than a very good grass cutting standard. The work is overseen by Parks and Recreation officers who work closely with many forums and working groups to identify areas of concern and act on these if required, though at present there are no such concerns.

Members were told that that the maintenance of Castle Park by Veolia Environmental Services Ltd was recognised in the British Association of Landscape Industries

Awards in the category Grounds Maintenance of Public Grounds (Free Public Access). In competition with other award winners in this category including Thames Barrier Park (London), Regents Park (London) and Bancroft Park in Stratford upon Avon, Veolia Environmental Services Ltd was also presented with the Principal Award in this category for its maintenance of Castle Park in 2012.

Councillor Willetts thanked Mr. Penny for a comprehensive detailed report, saying the Council should be proud of the level service provided.

Mr. Penny confirmed to Councillor Goss that the contract price does receive incremental year on year increases, in-line with index GM87, currently running at a percentage below that of RPI (Retail Price Index), 2.7% in 2012, this index is believed to more accurately represent the costs associated with this type of contract work.

Mr. Penny responded to Councillor Goss and Willetts concerning the adoption process for grounds maintenance. Councillor Goss said he didn't believe the hand-over process is working well, and given the number of adoptions in his ward where there is a high level of new development, this exacerbated the problem. Mr. Penny said the developer has to offer the site in accordance with the agreed drawings and to an acceptable standard of maintenance before an area is adopted by the Council for grounds maintenance. Generally, the process is complex with a number of agencies involved up to the point where land is transferred and maintained by the Council. The developer has to bring the land to a 'practical completion standard' and this can be several years after the development is complete. The process has now improved where the Highway Inspectors now proactively engage to ensure highway land that is transferred is to the required standards. Mr. Penny said it is in the developer's best interest to complete the transfer as soon as possible, but the Council have no input into influencing the developer to speed up the process. That said it is considered that now that there are regular meetings between the developers and Planning Team dialogue is improving.

Councillor Willetts commented that the contract was well managed and the contractor's performance was good. He said the only thing that did not appear to be good was the handover process, and asked the Portfolio Holder to consider a way of improving communication between the developer(s) and the Council.

Councillor T. Higgins asked that the relevant ward members are notified as part of the process following the completion of variation orders.

In response to Councillor T. Higgins and the use of herbicides, Mr. Penny said that herbicides are used as part of the contract, allowing for the spraying around specific street furniture e.g. bollards. He said spraying is used as a cost effective alternative to strimming.

Mr. Penny confirmed to Councillor Goss that the contractor is required to search and pick litter before grass cutting.

RESOLVED that the Panel commented on and noted the report on the performance of the grounds maintenance contract.

46. The Financial Impact of a new Park and Ride Scheme

Mr. Matthew Young, Head of Street Services and Mr. Alan Lindsay, Principal Area Transportation Coordinator, Essex County Council, attended the meeting for this item.

Mr. Matthew Young presented the report on the financial impact of the introduction of Park and Ride (P&R) on the Council's car parking income.

He said this review followed a request by the Panel to ensure that the impact of Park and Ride had been considered by the Council and in particular asked officers to address the pricing structure at the Park and Ride and how this is derived, the pricing structure for Council owned town centre car parks, a guide to the modelling work and the effect of Park and Ride on town centre car parking

Mr. Young explained that the current expected pricing structures at Cuckoo Farm P&R are at the £2.50 - £3.00 level, similar to those of Chelmsford P&Rs, but this would be discussed in further detail later with Mr. Lindsay. Mr. Young said the Colchester P&R pricing structures will need to be supported by suitable price structures within all Town Centre car parks, to ensure usage is maximised and, therefore, revenue support of the P&R is minimised. In order to encourage trade in the town centre, a unique range of special parking offers is available and these compare very favourably indeed to other towns with which Colchester is comparable and competitive. The major market for Park & Ride is in the peak hours for long stay. Long stay parking is split between public and private car parks, with a high degree of private, non-residential parking (PNR) for example parking outside places of work. From the high proportion of Park & Ride trips predicted in the morning and afternoon peak hours, the existing transport model predicts just over 400 trips into the town centre being saved in the morning peak hour.

With regards to modelling work, the Council has been working with ECC to develop a Parking and Land Use Strategy Model in Colchester. The model is designed to be used for testing future parking scenarios and thus develop a future parking strategy for the town though a major dilemma was workers being provided with free parking by their employer. Mr. Young said using the modelling data provided in 2007, it is estimated that the budget pressures will be approximately £83k, and whilst this is relatively accurate further modelling is needed to judge with more certainty the impact of Park and Ride, the impact on the Sheepen Road and Britannia car parks, the tariff changes needed, particularly to short stay car parks and the financial challenges and the effect on medium term financial budgets and ultimately a more informed and detailed Car Parking Strategy for Colchester.

Mr. Lindsay said Park and Ride in Colchester, a key element to the local transport strategy has been an aspiration for Colchester and formed part of the Local Development Framework. It is long overdue. The scheme was earmarked for construction on land north of the A12 carriageway by Junction 28. He said having the experience of implementing park and ride in Chelmsford, officers are now better informed to carry through a similar scheme in Colchester.

In response to Councillor Goss, Mr. Lindsay said the pricing structure was critical to the success of the scheme. Chelmsford had charges £2.50 in the first 12 months of their scheme but this had not enabled any profits to claw-back, that in fact, all national schemes are subsidised, and whilst some operate close to breakeven, they all require revenue subsidies. A key will be to introduce a scheme that will minimise the revenue implications.

Mr. Lindsay responded to Councillor Willetts by explaining that the large capital outlay to construct the site ran into several millions of pounds and would include an operating model of approximately 5-6 buses. Essex County Council has made a bid to the Department for Transport for money from the Department's Pinch point Fund to contribute £5m towards developing the scheme. Responding to Councillor Philip Oxford, Mr. Lindsay said the specification for the new buses will be determined by Essex County Council but confirmed they will be DDA (Disability Discrimination Act) compliant, single-decker with wheelchair access.

Mr. Lindsay clarified that the £2.50 - £3 charge was per person, not per vehicle. Councillor Manning said he was disappointed that this charging scheme will not be very family friendly and did not promote car sharing schemes. Mr. Lindsay said they continue to look at ways to promote the scheme that will get motorists to travel more sustainably. Councillor Harrington said the pricing will need to be more affordable for motorists to consider using, that at the prices suggested, many families will be priced-out of using the scheme. Councillor Harrington wondered if Essex County Council is under pressure from Colchester Borough Council to pitch the prices at an affordable level for all users.

Mr. Lindsay confirmed that they do look at many national schemes, and there remain many different options for pricing, but based on the local experience at Chelmsford including the impact on other outlying car parks the price per person is at present the preferred option. He reiterated that the scheme will be supported by new, single decked buses, not cast-offs.

In response to Councillor Goss, Mr. Lindsay said another key area to be considered was the traffic flow for the route the buses will take into the town centre. The route will need to have the ability for buses to flow and this will be critical when travelling by the Colchester North Railway Station. The scheme will be open from Monday to Friday and is likely to operate between the hours of 7am and 7pm, with services provided every 8-10 minutes in peak times and 12-15 minutes during off-peak times, though consideration is being given to operate on a Saturday and to tie-in with Colchester football matches at the Community Stadium.

Councillor Willetts said the growth in internet retail does have a knock-on effect on town centre sales, but a growth area is the night-time economy (evening entertainment) and it appeared that park and ride will not address these needs. Mr. Lindsay said park and ride did not lend itself to the night-time economy.

In response to Councillor Granger, Mr. Lindsay said park and ride is a key element of the Transport Strategy and the areas in which success will be measured is less reliance on car use, reduced traffic congestion, improved air quality, and increased town centre

footfall, along with other improvements will provide a better town centre environment. He confirmed that current data is available for comparative reasons, and the Better Town Centre Group will have the responsibility to draft and monitor a specification for performance purposes as well as future benchmarking and tracking. Mr. Lindsay said he was confident that sufficient experience had been gained from previous park and ride schemes to make the Colchester Park and Ride a success and the Chelmsford scheme will be used as a benchmark for the future modelling. With regards to parking charges and occupancy it was reaffirmed that it will be the future modelling work that will confirm the current predictions. Mr. Young confirmed that a further report will be presented for scrutiny once the new data is commissioned and completed.

Mr. Young confirmed to Councillor Granger that once the modelling data is known officers will be able to make a more informed judgement on the effect of park and ride to the town centre car parks, especially the Sheepen Road and Britannia car parks, that are earmarked for redevelopment at a later stage, with a Bulky Goods Retail Park at Sheepen Road, similar to that on the adjacent retail park, and housing on the Britannia site. Mr. Lindsay said officers remain open to suggestions on the pricing structure, and there are many permutations that can be used, for example a hybrid structure to incentivise families or tie-up with Colchester United Saturday and midweek football games.

Mr. Lindsay confirmed to Councillor Oxford that the legal requirement of 4% disabled spaces will be met and every effort taken to try to accommodate all disabled vehicles to the car park, accepting there could be an issue to consider on vehicle height restrictions.

In response to Councillor Higgins, Mr. Lindsay said. There are some large public organisations operating a travel plan such as the Colchester Institute, the General Hospital and the University, but where employers provide parking this is generally free to employee's and remains a problem beyond the Council's control.

RESOLVED that the Panel:-

- i) Commented on and noted the financial impact of the introduction of Park and Ride on the Council's car parking income.
- ii) Agreed to a further report on Park and Ride once the modelling work is commissioned and completed.

47. 2012-13 Financial Monitoring Report, April to December

Mr. Sean Plummer, Finance Manager attended the meeting and presented the Financial Monitoring Report for April to December 2012.

Mr. Plummer explained that the projected outturn forecast for the General Fund is currently a net underspend of £79k (excluding the risk factor allowance). The Housing Revenue Account (HRA) forecast outturn position is currently for a £989k underspend, and whilst this may appear high it was mainly due to the saving on interest costs which

had been reported previously. Mr. Plummer confirmed that this money remains in the HRA.

He mentioned that paragraph 5.2 of the report that sets out the forecast outturn for all General Fund service areas with outturn variances, and with an overall net forecast overspend of £259k. The table showed the key variances in respect of forecast shortfalls in income which in several cases have been offset by cost savings.

In response to Councillor Willetts, Mrs. Hedges said in respect of the saving of £30k on a one-off sum agreed in the budget to finance potential costs of exploring partnership opportunities, this was a very specific opportunity about sharing the Revenues and Benefits Service, but this was now on hold given the implementation of Universal Credit and the uncertainty around the resources needed.

With regards to the overspend for the St John's car park insurance, Mr. Plummer explained to Councillor Willetts that this was about the Council's own car park, and that it was recognised as a cost in the Council's accounts and was not a part of the Parking Partnership accounts.

Responding to Councillor Willetts with respect to the unbudgeted expenditure on previous satellite tracking devices that have now been removed from vehicles, Mr. Plummer said this was a small residual in-year cost due to the timing of the accounts process.

In response to Councillor Willett's enquiry to the £50k additional spend on planning consultancy and legal work, Mr. Plummer explained that this was for specific planning consultancy work and that this additional cost was more than offset by extra planning fees.

Housing Revenue Account - Repairs and Maintenance

Mr. Mark Wright, Director of Property Services, Colchester Borough Homes attended the meeting for this item.

Mr. Plummer explained that with respect to the Housing Revenue Account, the premises related costs are showing an underspend of £315k against the profiled budget as at the end of December 2012.

Mr. Plummer said there is a net underspend of £245k on Repairs and Maintenance (R&M) budgets to date. Mr. Wright said £175k of this sum would be used for the UPVC Replacement Programme. Following a request from the Panel at its meeting of 20th November 2012, Mr. Plummer drew the Panel's attention to the breakdown of the R&M budget provided in Appendix E.

Mr. Plummer explained to Councillor Greenhill that the Colchester Borough Homes (CBH) property services spends to date and the profiled budget to date were the same figure as there was a requirement for CBH to reprofile spend each quarter. The breakdown of the overall budget provided members with the opportunity to see where money is being spent and would ensure a re-profiling at each monitoring stage.

Further to Councillor Willetts enquiry to the progress of the Repairs and Maintenance Programme following the completion of the Decent Homes Programme (DHP), Mr. Wright said that although the DHP was complete there is still a requirement of the Council to maintain a level of decency in all Council properties. The Council has just commenced a 30 year investment programme that included a 5 year capital investment programme for replacement windows and doors. The investment programme for next year had been agreed at £10m, year two of the new process. Mr. Wright said with such a large programme to support 6,000 properties and families there will inevitably be issues raised, but assets are being invested in with a strong plan for the future.

In response to Councillor Theresa Higgins concerning safety around carbon monoxide (CO) poisoning in homes with gas installations, Mr. Wright said it should not be possible for gas to escape from sealed installations, but in every case there is a requirement for all installations to be regularly inspected and tested, though CO monitors are not a landlord requirement as a matter of course.

RESOLVED that the Panel noted the financial performance of General Fund Services and the Housing Revenue Account (HRA) in the first nine months of 2012/13.

48. 2012-13 Capital Expenditure Monitoring Report, April to December

Mr. Steve Heath, Finance Manager attended the meeting and presented the Capital Expenditure Monitoring Report for April to December 2012.

Mr. Heath said for the first nine months of this year capital spending totalled £7.8 million, compared to a forecast of £12.2 million. The reasons for the main variances were detailed in paragraph 4.2 of the report. He said the Capital Programme had increased by £5.2m since the previous report, with new funding added to the capital programme including £1.7m grant funding and further contributions from other external parties and Section 106 monies. Mr. Heath explained that the breakdown of the 'Sources of Funding' could be found in paragraph 4.4 of the report and Appendix A provided a breakdown of the Capital Programme by service area.

In response to Councillor Manning, Mr. Heath said in respect of the UK sovereign ratings downgrade on Friday after Moody's stripped the country of its triple-A rating, this will not have an impact on the Council. He said the Council's Treasury Management Strategy Statement covers this eventuality, and the Council only invests in the UK or in other countries with a sovereign triple-A rating. The outlook was stable with no foreseeable future downgrades, but any further downgrades could have implications on many things other than investments.

In response to Councillor Goss's enquiry regarding outstanding work at the Community Stadium, Mr. Heath said he would provide members with some additional information on the £22k remaining against this capital scheme.

RESOLVED that the Panel commented on and noted the level of capital spending during 2012/13 and the forecasts for future years.

49. Work Programme

RESOLVED that the Panel commented on and noted the work Programme.