

FINANCE AND AUDIT SCRUTINY PANEL
26 JANUARY 2010

Present :- Councillor Dennis Willetts (Chairman)
Councillors Christopher Arnold, Wyn Foster,
Martin Goss, Dave Harris, Theresa Higgins,
Jackie Maclean, Jon Manning, Gerard Oxford and
Lesley Scott-Boutell

Substitute Member :- Councillor Andrew Ellis for Councillor Nick Taylor

38. Minutes

The minute of the meeting held on the 17 November 2009 was confirmed as a correct record.

39. Annual Audit letter

Mr. Paul King, District Auditor and Mr. Ian Davidson, both from the Audit Commission attended the meeting for this item. Mr. King presented the report 2008/09 Annual Audit letter.

In response to Councillor Willetts, Mr. King said the errors in accounts as notated in paragraph 2 of the Annual Audit Letter (AAL) were not material and therefore did not require any accounting adjustment. Mr. Charles Warboys, Head of Resource Management explained that the errors were primarily about the issue related to the method used by the Council to provide the valuation of Council assets, and a technical issue concerning the payment of grants against assets. Mr. Warboys confirmed that these errors had been notified to the Accounts and Regulatory Committee in September 2009.

In response to Councillor Willetts, Mr. King confirmed that a follow up review of the Colchester Visual Arts Facility would be undertaken during 2010/11, with the intention to report openly and publicly without prejudicing the Council. Mr. Davidson said this work would feed into the work on the AAL and would have a bearing on the work by the Audit Commission in relation to the Use of Resources.

RESOLVED that the panel considered and noted the contents of the 2008/09 Annual Audit letter.

40. One Place Managing Performance

Mr. Ian Davidson, supported by Mr. Paul King remained for this item. Mr.

Davidson gave a comprehensive presentation of the report One Place – Managing Performance.

Councillor Scott-Boutell arrived at the meeting during the discussion on this item.

In response to Councillor Oxford, Mr. Davidson said the title ‘One Place’ was used in an effort to improve accessibility and understandability for local residents. People logging on to the Audit Commission’s ‘One Place’ website would be able to access Audit Commission reports for all public organisations across the whole country, with all appropriate links provided. Mr. Davidson said the new website had already received 1.2 million hits so far.

In reference to Managing Our Business, Mr. King confirmed to Councillor Manning that the Council had received a rating of 2 out of 4 and this rating was influenced in part by the work associated with the Visual Arts Facility.

In response to Councillor Willetts enquiry about the impact of the Audit Commission Assessment by the reduced Haven Gateway Funding, Mr. Davidson said the Audit Commission will look at outcomes and how issues were addressed, based on the available resources. Mr. Davidson said Colchester was well plugged in to what is needed.

In regards to ‘Homes for All’, and Councillor Willetts remark that at Colchester relet times are not as low as many other authorities because at Colchester we prepare lets to a higher standard that takes extra time to complete, Mr. Davidson said the Audit Commission does sometime refer to indicators as a gauge, but also they do look at the rounded picture, that it was not always about an absolute.

Whilst it was agreed that Colchester had a history of understating its achievements, Mr. Davidson concluded the discussions by congratulating Colchester Borough Council on what it had achieved in the last year.

The Chairman thanked Mr. King and Mr. Davidson for attending the meeting, presenting their reports and responding to Member’s questions.

The Chair also thanked Mr. King for his work and support in his capacity as the Audit Commission’s District Auditor for the last five years, a position that under the Audit Commission rules needed to be rotated every five years. Mr. King confirmed that the new District Auditor would be Ms. Debbie Hanson.

RESOLVED that the panel noted the One Place Managing Performance judgement.

41. Grounds maintenance contract

Mr. Bob Penny, Parks and Recreation Manager, attended the meeting and introduced the report on the Grounds Maintenance Contract.

Mr. Penny responded to questions from Councillor Goss, who had requested this review in 2009.

Mr. Penny said Grounds Maintenance Contractors always litter pick prior to grass cutting and when carrying out shrub border maintenance, but do not do any other litter picking above those visits. It was confirmed that the more frequently grass is cut the cheaper the cost becomes, due to the type of machinery required, the speed of the maintenance operation and with little or no grass cuttings clearance required.

Mr. Penny confirmed that when the Grounds Maintenance Contracts were outsourced, the then Council staff were transferred to the contractor under the TUPE arrangements, and there remains a large percentage of these staff still employed by the contractor(s).

Mr. Penny acknowledged the problems with new sites been transferred from developers to the Council. It was confirmed that a meeting between officers and contractor is immediately done, once confirmation of the transfer is acknowledged. Handing over a site by the developer to the required standard is often a frustrating business, though in most cases the developer employs a Clerk of Works to prepare a site for handover, as was the case with the Northern Approach Road. Mr. Penny confirmed to Councillor Arnold that the Council now maintains the open spaces on each side of the Northern Approach Road, though the legal handover process is still being undertaken by Administrators due to the Developer going into Administration. Mr. Penny said there was money received from the original developer, to provide maintenance and tree replacement in this area.

In response to Councillor Willetts, Mr. Penny said no default or rectification notices had been issued to the Council's contractors. The Council's relationship with the contractor was very good, and where a notice or acknowledgment of an issue is raised, the contractor has always reacted positively and with immediate effect.

Mr. Penny confirmed that during bouts of very poor weather, as recently experienced, the contractors visit sites such as Sheltered Housing Blocks to clear snow from access paths. Members commended what was an excellent idea.

The discussion closed, with the Panel noting the good contractual arrangements in place.

The Chairman thanked Mr. Penny for attending the meeting and responding to questions from Members.

RESOLVED that the panel noted the arrangements in place relating to the grounds maintenance contract.

42. 2010/11 Revenue Budget and Medium Term Financial Forecast

Councillor Arnold (in respect of being a Member of Great Horkesley Parish Council), and Councillor T Higgins (in respect of being a Member of Essex County Council) both declared a personal interest in the following item.

Councillor Paul Smith, Portfolio Holder for Resources, Diversity, Culture and the Arts, Mr. Charles Warboys, Head of Resource Management and Mr. Sean Plummer, Finance Manager attended the meeting for this item. Councillor Smith introduced the report '2010/11 Revenue Budget and Medium Term Financial Forecast' .

Mr. Plummer confirmed to Councillor Willetts that the forecast outturn underspend for 2009/10, £699,000, as illustrated in appendix F of the report, should show as a positive carry forward figure (without brackets).

Councillor Smith confirmed to the panel that he believed the £1,500,000 General Fund Balance was a prudent level of reserve.

Councillor Smith confirmed to Councillor Higgins that there are cost pressures on the Cemetery and Crematorium services and these would be addressed as part of the review currently taking place in the Service Area.

Councillor Harris congratulated the Cabinet on the addition of the 'Graffiti Clean Up' as a growth item, earmarking £55,000 for this work. Councillor Arnold concurred with the remarks of Councillor Harris, adding that this was probably one of the first occasions that the Strategic Overview and Scrutiny Panel has produced unanimous support (at its November 2009 review) to undertake this work.

Councillor Smith said he believed the income projections for 2010/11 is a robust, prudent and realistic estimate, given the current economic downturn. Mr. Warboys said the Budget included a number of risks and assumptions, though the level of Government grant funding was confirmed for the new budget.

Councillor Smith and Arnold agreed that the lateness in receiving confirmation

of major funding items such as the Housing Planning Delivery Grant in December made the budgetary process timing very difficult, though Councillor Arnold hoped all groups would in the future work together to try to ensure proper scrutiny in a timely manner.

Ms. Wain, Executive Director confirmed to the panel that the saving on Marketing (within the Executive Service Area), a sum of £10,500, was earmarked for working with partners on long term planning, and was a one-off reduction for 2010/11. This saving would have no effect on the other individual service areas marketing budgets.

Members of the panel raised concerns about a number of budget entries that like the aforementioned marketing saving of £10,500, showed little or no detail about the specific tasks to be cut or the impact and/or risks of these cuts. Councillor Arnold was supported by other Councillors in saying that he wanted to see greater detail in many areas of the report, for example, appendix I, showing the Schemes recommended for Removal, so the panel could undertake a more informed judgment of the budget process. Later in the discussions, Councillor Smith explained to Councillor Arnold the Cabinet's reasoning for the removal of the aforementioned schemes, and confirmed to Councillor Ellis that the £30,000 saving within Strategic Policy and Regeneration was a cut in funding to the Cycle Tour, due to no financial commitment from Essex County Council, but this would not impact on the joint £2.1 million funding of Colchester's Cycle Town project.

Councillor Scott-Boutell requested further detail on the marketing saving, in terms of who are the partners and the impact of making this saving.

Councillor Smith confirmed to Councillor Foster that the Essex Legal Services Partnership was an Essex wide consortium that through economies of scale was able to provide legal services more cost effectively, but should there be an issue with the quality of the service provided then this will be addressed collectively. Mr. Plummer said the £29,000 saving was split into two areas, £13,000 Legal Services staff reduction, and £16,000 savings in the cost of specific legal services provided to all service areas.

Councillor Smith confirmed that the Mayoral reception saving of £1,700 would be a decision taken by Council, though the Mayor would be consulted out of courtesy and before the Council decision is made.

Mr. Plummer confirmed to Councillor Ellis that predicted income was based on the extrapolation of 2009/10 data, a method used in previous years. Later in the discussions, Councillor Smith responded to Councillors Arnold and Ellis, saying there is no certainty around the level of income or savings built into the budget, but he believed a realistic judgment had been made. Councillor Smith

said increases in car parking fees would only occur at some and not all car parks. Councillor Smith, in response to Councillor Ellis, also said the budget provided for a prudent level of reserves, but should the post election Government introduce further grant cuts in 2010/11 the Council will need to look at these reserves to balance the accounts.

Councillor Smith said the £60,000 increased income on Markets, within Street Services, was based on the potential to improve the Colchester market, following comparative work undertaken on other markets, for example, the Ipswich model that provided additional market days.

Councillor Smith understood Councillor Arnold's concerns that front line services such as Waste Collection are, in financial terms, under pressure to deliver their services on a static budget at a time when the pressure of ever increasing demands is a reality. Councillor Smith said the reality was these pressures are happening to most organisations, private and public. Aside from the budget issues, both Councillor Smith and Arnold congratulated Waste Services staff on their continued excellent service through the recent snow and icy conditions.

Mr. Plummer confirmed to Councillor Harris that the pension cost pressure figure of £250,000 had been difficult to predict, but was an indicative figure based on information supplied by Essex County Council. A review was currently being undertaken at County, and the results will not be known until October.

In response to Councillor Willetts, Councillor Smith said one-off cost pressures are not spread across future years, that by budgeting on a year on year basis it helped to reduce the deficit in future years.

Councillor Smith confirmed to Councillor Oxford that the Disabled Facilities Grant would be immediately available to meet demand. Councillor Oxford said he was pleased that the budget had earmarked funding for the installation of new DDA Hearing Loop in the Town Hall. Councillor Smith said details of this project, once determined, would be informed to members.

RESOLVED that the panel noted the Cabinet report on the 2010/11 Revenue Budget that forms the decision to be taken by the Cabinet on the 27 January 2010.

43. Treasury Management Investment Strategy

Mr. Steve Heath, Finance Manager attended the meeting and introduced the report on the 2010/11 Treasury Management Strategy Statement.

Mr. Heath confirmed to Councillor Foster that the Council's Investment Policy, as shown in Appendix B of the report, illustrated the Council's low appetite for risk.

In reference to external versus internal borrowing, Mr. Heath, in response to Councillor Willetts said the Council's cash flow is monitored on a daily basis and projected forward to a year in advance, which ensures through forward planning, a sufficient cash flow. The Council currently has a difference of £18.5m between gross and net debt, a figure that was £30m prior to the current strategy, and lowered due to the purchase of Rowan House. Being encouraged to reduce our debt will reduce the Council's exposure to risk and provide a more joined-up approach to borrowing.

In response to Councillor Ellis, Mr. Heath said that in regards to reimbursement from the Icelandic banks, original advice from CIPFA was that it was predicted that 95% of the amount owed would be repaid, a figure reduced to 83% shortly after. More recently, this figure has been realistically increased to 88%. That said, Mr. Heath also said that whilst the first repayments were forecasted to be paid in 2010, the first tranche of money is now not expected until 2011.

RESOLVED that the panel commented on and noted the 2010/11 Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy prior to consideration by Cabinet and Council as part of the 2010/11 Budget Report.

44. Work Programme

Mr. Robert Judd, Scrutiny officer confirmed that the progress review of the Free Freighter Service would be undertaken at the meeting on 23 March 2010.

Mr. Judd also confirmed that he would provide the Panel's Group Spokespersons with a draft of the progress report on the Capital Improvement Programme prior to publication.

RESOLVED that the panel noted the work programme 2009-10.