

Finance and Audit Scrutiny Panel

Grand Jury Room, Town Hall
26 January 2010 at 6.00pm

The Finance and Audit Scrutiny Panel deals with the review of service areas and associated budgets, and monitors the financial performance of the Council. The panel scrutinises the Council's audit arrangements and risk management arrangements, including the annual audit letter and audit plans, and Portfolio Holder 'Service' decisions reviewed under the Call in procedure.

Information for Members of the Public

Access to information and meetings

You have the right to attend all meetings of the Council, its Committees and Cabinet. You also have the right to see the agenda, which is usually published 5 working days before the meeting, and minutes once they are published. Dates of the meetings are available at www.colchester.gov.uk or from Democratic Services.

Have Your Say!

The Council values contributions from members of the public. Under the Council's Have Your Say! policy you can ask questions or express a view to meetings, with the exception of Standards Committee meetings. If you wish to speak at a meeting or wish to find out more, please pick up the leaflet called "Have Your Say" at Council offices and at www.colchester.gov.uk.

Private Sessions

Occasionally meetings will need to discuss issues in private. This can only happen on a limited range of issues, which are set by law. When a committee does so, you will be asked to leave the meeting.

Mobile phones, pagers, cameras, audio recorders

Please ensure that all mobile phones and pagers are turned off before the meeting begins and note that photography or audio recording is not permitted.

Access

There is wheelchair access to the Town Hall from West Stockwell Street. There is an induction loop in all the meeting rooms. If you need help with reading or understanding this document please take it to Angel Court Council offices, High Street, Colchester or telephone (01206) 282222 or textphone 18001 followed by the full number that you wish to call, and we will try to provide a reading service, translation or other formats you may need.

Facilities

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Terms of Reference

Finance and Audit Scrutiny Panel

- To review all existing service plans and associated budget provisions against options for alternative levels of service provision and the corporate policies of the Council, and make recommendations to the Cabinet
- To have an overview of the Council's internal and external audit arrangements and risk management arrangements, in particular with regard to the annual audit plan, the audit work programme and progress reports, and to make recommendations to the Cabinet
- To monitor the financial performance of the Council, and to make recommendations to the Cabinet in relation to financial outturns, revenue and capital expenditure monitors
- To scrutinise the Audit Commission's annual audit letter
- To scrutinise executive 'service' decisions made by Portfolio Holders and officers taking key decisions which have been made but not implemented referred to the Panel through the call-in procedure

The panel may a) confirm the decision, which may then be implemented immediately, b) refer the decision back to the decision taker for further consideration setting out in writing the nature of its concerns, or c) refer the matter to full Council in the event that the Panel considers the decision to be contrary to the Policy Framework of the Council or contrary to, or not wholly in accordance with the Budget.

**COLCHESTER BOROUGH COUNCIL
FINANCE AND AUDIT SCRUTINY PANEL
26 January 2010 at 6:00pm**

Members

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

Substitute Members : All members of the Council who are not Cabinet members or members of this Panel.

Agenda - Part A

(open to the public including the media)

Members of the public may wish to note that Agenda items 1 to 5 are normally brief and items 6 to 9 are standard items for which there may be no business to consider.

Pages

1. Welcome and Announcements

(a) The Chairman to welcome members of the public and Councillors and to remind all speakers of the requirement for microphones to be used at all times.

(b) At the Chairman's discretion, to announce information on:

- action in the event of an emergency;
- mobile phones switched to off or to silent;
- location of toilets;
- introduction of members of the meeting.

2. Substitutions

Members may arrange for a substitute councillor to attend a meeting on their behalf, subject to prior notice being given. The attendance of substitute councillors must be recorded.

3. Urgent Items

To announce any items not on the agenda which the Chairman has agreed to consider because they are urgent and to give reasons for the urgency.

4. Declarations of Interest

The Chairman to invite Councillors to declare individually any personal interests they may have in the items on the agenda.

If the personal interest arises because of a Councillor's membership of or position of control or management on:

- any body to which the Councillor has been appointed or nominated by the Council; or
- another public body

then the interest need only be declared if the Councillor intends to speak on that item.

If a Councillor declares a personal interest they must also consider whether they have a prejudicial interest. If they have a prejudicial interest they must leave the room for that item.

If a Councillor wishes to make representations on an item on which they have a prejudicial interest they may do so if members of the public are allowed to make representations. In such circumstances a Councillor must leave the room immediately once they have finished speaking.

An interest is considered to be prejudicial if a member of the public with knowledge of the relevant facts would reasonably regard it as so significant that it is likely to prejudice the Councillor's judgement of the public interest.

Councillors should consult paragraph 7 of the Meetings General Procedure Rules for further guidance.

5. Minutes

1 - 5

To confirm as a correct record the minutes of the meeting held on 17 November 2009.

6. Have Your Say!

(a) The Chairman to invite members of the public to indicate if they wish to speak or present a petition at this meeting – either on an item on the agenda or on a general matter not on this agenda. You should indicate your wish to speak at this point if your name has not been noted by Council staff.

(b) The Chairman to invite contributions from members of the public who wish to Have Your Say! on a general matter not on this agenda.

7. Items requested by members of the Panel and other Members

(a) To evaluate requests by members of the Panel for an item relevant to the Panel's functions to be considered.

(b) To evaluate requests by other members of the Council for an item relevant to the Panel's functions to be considered.

8. Referred items under the Call in Procedure

To consider any Portfolio Holder decisions, taken under the Call in Procedure.

The panel may a) confirm the decision, which may then be implemented immediately, b) confirm the decision back to the decision taker for further consideration setting out in writing the nature of its concerns, or c) refer the matter to full Council in the event that the panel considers the decision to be contrary to the Policy Framework of the Council or contrary to, or not wholly in accordance with the Budget.

9. Decisions taken under special urgency provisions

To consider any Portfolio Holder decisions taken under the special urgency provisions.

10. Annual Audit letter 6 - 22

See report from the Scrutiny Officer. Mr. Paul King, District Auditor, Audit Commission, will attend the meeting for this.

11. One Place Managing Performance 23 - 30

See report from the Executive Director.

12. Grounds maintenance contract 31 - 35

See report from Head of Life Opportunities.

13. 2010/11 Revenue Budget and Medium Term Financial Forecast

See report from the Head of Resource Management.

14. Treasury Management Investment Strategy

See report from the Head of Resource Management.

15. Work Programme 36 - 38

See report from the Scrutiny Officer.

16. Exclusion of the public

In accordance with Section 100A(4) of the Local Government Act 1972 and in accordance with The Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 (as amended) to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).

FINANCE AND AUDIT SCRUTINY PANEL 17 NOVEMBER 2009

Present: - Councillors Arnold, Foster, Goss, Harris, T Higgins, Maclean, G Oxford, Scott-Boutell, Taylor and Willetts

Substitutions: - Councillor Barlow for Councillor Manning

30. Minute

The minute of the meeting held on the 20 October 2009 was confirmed as a correct record.

Councillor Harris (in respect of being a member of the Colchester Credit Union) and Councillor T Higgins (in respect of being a Member of Essex County Council) both declared a personal interest in the following item.

31. Credit Union Funding

Mr. Paul Probert, Head of Economic Policy at Essex County Council attended the meeting for this item. The Chairman thanked Mr. Probert for attending the meeting and briefly explained the reason for the panel's invitation, to get a better understanding of the relationship between Essex County Council, Essex Savers Credit Union and Colchester Credit Union so that a more informed judgment could be made. Mr. Probert briefly outlined Essex County Council's approach to ensuring all Essex residents are able to access credit union services, before inviting questions from the panel.

Councillor Smith addressed the panel saying he was concerned that with up to £170,000 of funding going to the Essex Savers Credit Union and no additional funding going to the Colchester Credit Union (CCU), that residents of Colchester are being put at a distinct disadvantage to all other areas of the County, made more acute by the current recession. Councillor Smith said residents of Colchester were being discriminated against, that with no additional resources coming Colchester's way, it seemed very unfair. Councillor Smith was unhappy at a press release from November 2008 on the County website that stating that Essex Savers was the only credit union in the county.

Mr. Probert in response to Councillor Smith said the reference should have read 'the only county-wide credit union'. Mr. Probert promised to speak to the appropriate web administrators to have the old and misleading press release removed.

Mr. Probert said that Essex County Council (ECC) focus on the whole of the county and totally recognise the existence of all the Essex credit unions. It was not their intention to see competition between the credit unions, for instance, Essex Savers and Colchester. Mr. Probert said the reality of the situation during 2008 was that many residents had no access to credit unions, and Essex Savers Credit Union provided the access with the capacity to expand into areas which lacked the provision. Mr. Probert said ECC do however, look to support all other credit unions and wanted to reassure members that the CCU had not been sidelined.

With regards to CCU, Mr. Probert confirmed that he had made contact with officials in November 2008 to ask about their local facilities, and met again in May 2009 to see what support they might receive. CCU as far as he was aware did not contact ECC between the November and May

contact, but would apologise if this was not the case. Members understood Mr. Probert's comment that the County budget was tight, and it would be difficult at this meeting to say what level of funding will be available, but he would shortly be speaking to Mr. Cording from CCU to move their bid forward.

Mr. Probert confirmed to Councillor Willetts that CCU did finally make contact with ECC on 9 November 2009, with a note outlining the support they would like. ECC are now looking at his reply to see how they can help, for example, with promotional material including a membership drive at local schools. Mr. Probert said he was keen to see CCU survive. Councillor Arnold was reassured with Mr. Probert's response, who confirmed that it was not the case that Colchester was being discriminated against and every effort would be made to ensure CCU did not feel disadvantaged. Mr. Probert said Essex Savers had a county wide common bond, but there was no intention that their work would encroach on the geographical area supported by CCU.

Councillor Harris confirmed that he was only a saver with the CCU and was not involved in managing the facility. Councillor Harris also thanked Lord Hanningfield for his letter in response to the panel's request, and Mr. Probert for attending the meeting to talk to members. Councillor Harris found the debate very informative and urged Mr. Probert to ensure that whatever support ECC could provide was done so. Councillor Harris said there was now an association of Essex credit unions. Mr. Probert wholeheartedly concurred with the comments of Councillor Harris and was aware of the new association. Mr. Probert said it would be helpful if Colchester Borough Council refreshed its website article from 2004 on CCU and suggested that both Essex County Council and Colchester Borough Council had a role to play in promoting credit unions.

In response to Councillor Scott-Boutell, Mr. Probert said the May meeting with CCU had been full and frank and CCU were asked to outline what sort of support they might need. It was important that ECC supported all the credit unions, but it was for all individual credit unions to take the initiative. Mr. Probert said he would provide an overview of progress to members.

Councillor Offen addressed the panel, saying he was sorry that Mr. Cording from CCU had been unable to attend the meeting, but he would be happy to meet with Mr. Probert and Mr. Cording at CCU to discuss the issues from this evening's discussions. Councillor Offen said he had spent a half a day in May at the CCU and was impressed by what he had seen, a thrifty and efficiently run organisation. Councillor Offen said he understood Mr. Cording's anger was because he believed the central funded grant of £170,000 was given in whole to Essex Savers Credit Union, but when he enquired for funds for Colchester was told there was 'no money'.

Mr. Probert, in response to Councillor Offen and Oxford, said the £170,000 was not a centrally funded grant, but an amount of money provided by the County Council to ensure access to credit union facilities in areas which currently lacked the provision, a point understood and reiterated by Councillor Willetts. Mr. Probert confirmed he had no recollection of saying to Mr. Cording that in reference to CCU funding, there was 'no money'.

Councillor Willetts summarised the discussion, saying he understood that there is no intention to have competition between Essex Savers Credit Union and CCU, and the £170,000 funding was to provide support to areas that currently lacked any provision. There was however a need for Mr. Probert and Mr. Cording to improve communication to smooth over difficulties. Councillor Willetts said this had been a useful scrutiny exercise and thanked Mr. Probert for attending the meeting and discussing the issues with the panel.

RESOLVED that the panel;

- i) Noted the discussions on Credit union funding, and looked forward to a future update from Mr. Probert.

- ii) Requested officers at both ECC and Colchester Borough Council to refresh their website articles on Credit Unions.

32. Interim Annual Governance Statement Action Plan

Ms. Hayley McGrath, Risk and Resilience Manager, attended the meeting and presented the Interim Annual Governance Statement Action Plan. The Accounts and Regulatory Committee had agreed that an interim report regarding progress against the action plan would be provided to the panel during the year.

Ms. McGrath agreed to provide Councillor Goss with more detail on the Council's arrangement for storing data at remote data centres in regards to Business Continuity.

RESOLVED that the panel considered and noted the work undertaken to implement the current Annual Governance Statement action plan.

33. 2nd Quarter Internal Audit Assurance Monitor

Ms. Elfreda Walker, Finance Manager, and Mr. Alan Woodhead, Auditor from Deloitte, both attended the meeting for this item and Ms. Walker presented the 2nd Quarter Internal Audit Assurance report for 2009-10, and Mr. Woodhead gave an overview of the outstanding recommendations as shown in appendix 2 of the report.

Councillor Willetts expressed disappointment that there remains high priority audit recommendations outstanding but that had passed their due date, highlighting the priority one audits on Treasury Management and Waste Management as examples. Ms. Ann Wain, Executive Director, addressed the panel to explain auditors will try to contact officers by telephone in order to arrange appointments to carry out the follow-up audits.

In response to Councillor Arnold who suggested that it sounded to him as if the internal audit process was not taken seriously as a process, Mr. Woodhead explained that contact with officers is made by telephone and email, but many of the follow-up audits do require days to complete so there can sometimes be a difficulty arranging a mutually agreed date between the auditors and Council Officers for the audit to take place before the due date. Mr. Woodhead confirmed that these audits are always followed-up as a priority.

Councillor Arnold said the approach to the process comes across as random and an absence of a mechanism to protect staff. Councillor Arnold said members are being advised that there has been no progress on the Corporate Authorisation Signatories List for officer's expenses and that sounds like Internal Audit are not taken seriously. Councillor Foster expressed concern that the simple task of signatories for claim forms should take so long to resolve, and with members continually being told this is to be followed-up, it appeared to her to be extremely inefficient. Mr. Woodhead said Internal Audit have been given an assurance by the relevant Head of Service that an up to date list of authorised signatories would be completed by the end of 2009. Ms. Wain said that given the volume of issues to be followed-up it was not always possible to keep within the deadline dates, and services being located in two separate buildings did not help. Ms. Wain said officers do take Internal Audit seriously, and improved reporting procedures will enforce this impression with the Senior Management Team acting on the information provided.

Mr. Charles Warboys, Head of Resource Management addressed the panel, agreeing that it was not acceptable that some recommendations should take so long to implement, and assured members of implementation of the required signatories list within the next three to four weeks. He assured the Panel that there is an escalation procedure in place to ensure recommendations are followed up with the Head of Service as necessary.

In response to Councillor Goss, who suggested a culture change was needed, with cascading objectives from the Chief Executive Officer downwards to ensure Internal Audit was taken seriously, Ms. Wain said this was about policy and procedures, and would take away to discuss at a senior level to try to link the issues to measurable SMART objectives.

Councillor Arnold said the additional column on the outstanding recommendations report giving the current updated position was helpful to members. Mr. Woodhead confirmed further updates are to be undertaken in December and early in the New Year.

RESOLVED that the panel considered and noted the Council's performance relating to i) Executing the 2nd quarter of the Internal Audit plan for 2009-10, and ii) The performance of internal audit by reference to national best practice benchmarks.

34. 2009-10 Financial Monitor – period April to September

Mr. Sean Plummer, Finance Manager attended the meeting for this item and introduced the Financial Monitoring report for April to September 2009.

Mr. Plummer confirmed to Councillor Willetts that the savings identified against corporate targets, and that were built into the 2009-10 budget are actual banked savings, and with no element of risk. Mr. Plummer also confirmed that the main risk area where a shortfall of £300,000 is currently forecast, the net interest savings, was reflected in the overall net overspend within the outturn forecast, a figure of £288,000. Mr. Plummer informed the panel that there was to date, no formal response on the level of future Housing & Planning Delivery Grant funding, or when it was to be announced.

Councillor T Higgins commended officers for the report that compared favourably with corresponding reports from other local authorities. Mr. Plummer confirmed to Councillor Higgins that one of the key risk areas was Bed and Breakfast spend, though the current figure was low compared to previous years. The costs are being monitored closely with officers looking for ways of reduction.

Ms. Wain confirmed to Councillor Taylor that the planned non-occupancy of Angel Court by March 2010 was certain. Ms. Wain confirmed the very low present staff turnover, reflected the economic downturn, with people inevitably looking to protect their current situation. Ms. Wain said this can impact on the projected savings accumulated through staff turnover.

RESOLVED that the panel noted the financial performance of General Fund Services and the Housing Revenue Account in the first six months of 2009-10.

35. 2009-10 Capital Monitor

Mr. Steve Heath, Finance Manager attended the meeting for this item and introduced the 2009-10 Capital Monitor progress report.

Councillor Offen, Portfolio Holder for Resources and Business addressed the panel to confirm the funding for the new A12 junction was in place.

Councillor Oxford warned Cabinet not to breach the statutory timescales for the completion of the work within the Mandatory Disabled Facilities Grants, and risk financial penalties and asked that further consideration be given to the Adaptations funding that continues to be a year on year problem. Councillor Offen confirmed that a further release of funding on Adaptations would be reported to the next Cabinet meeting, for inclusion in next year's budget.

The panel urged Cabinet to ensure the funding issue for Adaptations was resolved for next year

and future years.

In regards to Backlog Repairs, Mr. Heath confirmed to Councillor Taylor that a survey of repairs was completed during 2009 and a request to complete a schedule of planned works would be sought for 2011-12. Mr. Heath agreed to respond to members in regards to the enquiry by Councillor Taylor on the Major Repairs Allowance.

RESOLVED that the panel noted the level of capital spending during the first half of 2009-10 and forecasts for future years.

36. 2009-10 Treasury Management Monitor

Mr. Steve Heath, Finance Manager attended the meeting for this item and introduced the 2009-10 Treasury Management Monitor progress report., inviting comments from the panel in respect of information provided for the development and training of elected members in financial management and regulation.

In response to Councillor Willetts, Mr. Heath said investments are forecast to be recovered from the Icelandic banks in line with CIPFA guidance, and assumes equal payments across four periods to December 2012. Mr. Heath confirmed to Councillor Taylor that the executive are currently considering as part of the current budget strategy building Icelandic investment write off into the 2010-11 budget, and that the Visual Arts Facility borrowing only related to 2009-10.

In response to members, Mr. Heath said he would recommend Sector as the Treasury Management training facilitator who would be willing to customise the training session to the needs of members.

RESOLVED that the panel;

- i) Considered the performance and noted the activities relating to treasury management for the first six months of 2009-10.
- ii) Agreed to be informed of treasury management activities at least twice a year (6-monthly), ensuring the Council is embracing best practice in accordance with CIPFA's recommendations. Interim updates on any matters of significance would be included in the quarterly monitoring of capital expenditure.
- iii) Considered member training and agreed that Sector should be recommended to the Member Development Working Group, to facilitate training in treasury management.

37. Work Programme

The Scrutiny officer agreed to determine future scheduling of progress reports on 'Freedom of Information', as agreed in March 2009.

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



Finance and Audit Scrutiny Panel

Item
10

26 January 2010

Report of	Scrutiny Officer	Author	Robert Judd 282274
Title	2008/09 Annual Audit Letter		
Wards affected	Not applicable		

This report asks the Committee to consider and note the contents of the 2008/09 Annual Audit Letter

1. Action required

- 1.1 To consider and note the contents of the 2008/09 Annual Audit Letter.

2. Reasons for scrutiny

- 2.1. The Accounts and Audit Regulations require the Council to consider the Annual Audit and Inspection Letter.

3. Supporting Information

- 3.1 The 2008/09 Audit Letter summarises the conclusions and significant issues arising from the Audit Commission's 2008/09 audit and inspection programmes of Colchester Borough Council and the way the Council uses its resources.
- 3.2 Paul King, District Auditor, from the Audit Commission will make a brief presentation relating to the Letter at the Committee meeting.

4. Publicity Issues

- 4.1 The Annual Audit Letter has been publicised on the Council's website, and a hard copy of the document is available at Council offices, in line with the Council's statutory requirement.

5. Other Standard References

- 5.1 There are no policy plan references or financial implications in this matter. There are no equality, diversity or human rights issues in this matter and therefore no Equality Impact Assessment has been completed. There is no health and safety, community safety or risk management implications in this matter.
- 5.2 The work of the Finance and Audit Scrutiny Panel is a key function to ensure probity in financial, audit and risk management, and is in line with the aims of the strategic plan.

Annual Audit Letter

Colchester Borough Council

Audit 2008/09

December 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your accounts and the results of the work I have undertaken to assess the way in which you use your resources.

Accounts

- 1** The Council is required to prepare and approve its accounts by 30 June 2009. The Council met that deadline. The accounts were mostly complete and were supported by a good set of working papers, which enabled me to complete my audit by the 30 September deadline.
 - 2** Our audit did find some errors in the approved accounts. The Council agreed to correct one of these but officers chose not to amend for a number of others. These errors were not so significant as to distort the overall financial position of the Council. However, I reported these to the Council's Accounts and Regulatory Committee (as those charged with governance of the Council), who agreed with officers' decisions not to amend the accounts for those errors. The Committee formally provided me with their rationale for not adjusting the accounts for these errors.
 - 3** As a result of my work, I concluded that the accounts 'presented fairly' the Council's financial position at 31 March 2009 (an unqualified audit opinion) and its income and expenditure for the financial year.
 - 4** An enhanced reporting framework (International Financial Reporting Standards) is to apply to all Councils accounts in 2010/11. The Council have developed a project plan to implement these standards and is progressing with the implementation of this plan.
-

Use of Resources

- 5** We assess how the Council makes use of the resources at its disposal to provide local services. A national framework is applied to our assessment, with a score given between 1 (inadequate and below minimum standards) and 4 (performing strongly) in each of three key areas.
- 6** The Council is performing well overall (Level 3). It attained the following scores in our assessment:
 - level 3 in respect of the way it manages its finance;
 - level 2 (performing adequately) in respect of the way it governs the business; and
 - level 3 in respect of the way it manages its people

Managing finances

- 7 Alongside the change in administration, financial pressures and the implementation of a new strategic plan, the Council continues to manage and understand its finances, moving money around to deal with changes in priorities or specific pressures.
- 8 There is ongoing engagement with stakeholders and evidence of shifting resources to reflect the outcome of consultation. It has a service review process which ensures that its services take advantage of new technology and are value for money. In 2008/09 the Council achieved £1.3 million of efficiency savings
- 9 Senior management take both individual and collective responsibility for budget planning and monitoring.

Governing the business

- 10 The Council commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money and has a clear vision of intended outcomes.
- 11 The Council has adopted and promotes the principles of good governance, and has a clear purpose and vision and is committed to achieving this goal. There are strong governance arrangements in place internally however these need to be further extended to partnership working.

Managing resources

- 12 The Council plans, organises and develops its workforce effectively to support the achievement of its strategic priorities. It has a range of HR policies, its turnover is low, and there is a performance and review system and an effective procedure for staff absence. It also has a well organised workforce planning approach to ensure that people have the right skills for future developments.
- 13 As a result of my assessment, I concluded that the Council had proper arrangements in place for the way it manages its use of resources.

Other supporting work

- 14 We also undertook a piece of work looking at the financial and project management of the firstsite newsite project which supported use of resources judgements. We found the Council and its funding partners are taking action to address previous weakness, but risks to the successful delivery of the project remain and more could be done to address the issues in order to ensure timely and cost effective completion of the Visual Arts Facility.

Managing Performance

- 15 The Audit Commission also assesses how well the Council manages and improves its services and contributes to wider community outcomes. The assessment considers how successful the Council is in delivering its corporate priorities. The priorities have been drawn from what matters most to the local people.

Key messages

- 16 The Council scores 3 out of 4 for managing its performance (the scoring mechanism is as for Use of Resources). The managing performance score is 3 as the Council is delivering against its priorities.
- 17 The Council is using partnership to focus effectively on its neighbourhoods and deprived areas. For example the Council is tackling deprivation and inequality through the Life Opportunities programme. This has resulted in fewer people smoking and a drop in antisocial behaviour. It has responded to the recession well by using its SOS bus as a mobile advice centre. This has included providing debt advice.
- 18 The Council is working well to tackle antisocial behaviour with some initiatives delivering significant reductions in town centres. Waste recycling is improving and generally the streets are clean. The Council is also moving forward with its regeneration plans for Colchester. However, it has performed less well on re-letting its housing and on benefits processing performance.

Overall Organisational Assessment

- 19 The Use of Resources and Managing Performance assessments are combined to give an overall organisational assessment judgement for the Council. The Audit Commission has determined that the organisational assessment judgement for Colchester Borough Council is that it performs well.
- 20 The Council's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Essex.

Financial Standing

- 21 The last year has seen the country enter a significant economic recession on the back of a global economic crisis triggered by the collapse of a number of high profile international banks.
- 22 The consequence locally, is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 23 The Council is responding to this challenge. The implications of the recession are understood and the challenges faced are being acknowledged by the Council as a whole. The latest financial strategy considers the impact of the economic downturn and addresses the funding shortfalls and increased demand for services identified.
- 24 The impact of the recession will continue to present a challenge to the Council in the coming financial year. I will continue to monitor the Council's response and actions in this key area.
- 25 Although the Council invested in Icelandic banks, the overall treasury management strategy is sound. The Council expects to receive compensation for 83 per cent of the £4 million invested and has sufficient reserves to cover the remaining loss.

Audit fees

- 26** I have been able to deliver and conclude my audit programme within the fee that I planned.
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Independence

- 27** As the External Auditor appointed to audit the Council, I have to maintain my independence. I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.
-

Recommendations

- 28** I have made a number of recommendations within my Annual Governance and Use of Resources reports to further develop the arrangements in place at the Council.
- 29** The Council should monitor the implementation of these recommendations.
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Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council's accounts for its stewardship of public funds.

- 30** I issued an unqualified opinion on the Council's accounts on 30 September 2009, thereby meeting the 30 September deadline set within the Accounts and Audit Regulations 2003. In my opinion the accounts present fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.
 - 31** Before giving my opinion, I reported to those charged with governance, in this case the Accounts and Regulatory Committee on the issues arising from the 2008/09 audit. I issued my report on 22 September 2009.
-

Accounting issues

- 32** The draft accounts were approved on 24 June 2009, prior to the 30 June deadline specified in the Accounts and Audit Regulations 2003.
 - 33** The working papers supporting the accounts were to a good standard and responses to queries and requests for additional information were helpfully and promptly dealt with by finance staff. There is still some scope for further improvements next year and these have been discussed with officers.
 - 34** The audit did not identify any material errors in the financial statements. However, a small number of amendments were made to ensure disclosure met the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2008.
 - 35** I did not identify any significant weaknesses in your internal control arrangements and the Council's annual governance statement was in accordance with requirements. The Council's internal audit team comply with the requirements of the CIPFA code. The financial systems underpinning the accounts continue to operate with generally sound controls in place.
 - 36** I presented my Annual Governance Report to the Accounts and Regulatory Committee on 24 September 2009, which included the full details of the issues arising from our audit of the accounts. I reported the adjusted and unadjusted errors that my audit had found. I requested that the Accounts and Regulatory Committee formally consider the audit errors, for which officers had chosen to not adjust.
 - 37** This consideration was formally recorded in a Letter of Representation to me, which allowed me to conclude my audit and issue my audit opinion.
-

Certification of claims and returns

38 We certify the Council's claims and returns on the following basis:

- claims below £100,000 are not subject to certification;
- claims between £100,000 and £500,000 are subjected to a reduced, light-touch certification; and
- claims over £500,000 are subjected to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment leads to a reduced certification approach for these claims.

39 The Council's housing benefits, disabled facilities and base data returns required amendment prior to certification and a qualification letter was issued in relation to the housing base data return. The reasons for the amendments and the qualifications have been reported to officers and improvements to strengthen the Council's arrangements for the preparation of claims and returns have been agreed.

International Financial Reporting Standards

40 The national timetable for the implementation of International Financial Reporting Standards (IFRS) means that these will be first applied in the 2010/11 financial year. However, comparative figures for the 2009/10 financial year will be required.

41 Applying IFRS will have significant implications for the way in which local authorities prepare their annual financial statements. The Council has a detailed project plan in place, with clear roles and responsibilities, and progress is reported to the Finance and Scrutiny Panel. The intention is to restate the 2008/09 financial statements by the end of December 2009.

Value for money and use of resources

I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Use of resources judgements

42 In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.

43 I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.

44 The Council's use of resources theme scores are shown in Table 1 below.

Table 1 Use of resources theme scores

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	2
Managing resources	3

45 The key findings and conclusions for the three themes, and the underlying KLOE, are set out in my detailed Use of Resources report. The key theme findings are summarised below.

Managing Finances

- 46** Alongside the change in administration, financial pressures and the implementation of a new strategic plan, the Council continues to manage and understand its finances, moving money around to deal with changes in priorities or specific pressures. The Council integrates its financial planning with its strategic and service planning; the Medium Term Financial Plan (MTFP) reflecting the strategic aims of the council and used to identify future budget gaps. However, the capital plan is not currently in line with the strategic plan. Budgets are proactively managed and were delivered in 2008/09.
- 47** There is a sound understanding of costs and performance, including wider implications such as social and environmental impact, with efficiencies being achieved. Costs and performance are considered as part of all decision making and commissioning and there is ongoing engagement with stakeholders and evidence of shifting resources to reflect the outcome of consultation. A full range of options for delivery are identified through service reviews to ensure that its services take advantage of new technology and are value for money. In 2008/09 the Council achieved £1.3m of efficiency savings. Cost benchmarking is not used routinely; however it is used as part of the budget setting process and as part of specific fundamental service reviews.
- 48** Timely, reliable and understandable financial monitoring and forecasting information is produced, with a traffic light system identifying areas for improvement, which is challenged by senior managers and members. Financial information is considered with performance information. Senior management take both individual and collective responsibility for budget planning and monitoring and each service group management team includes a senior service accountant representative to support managers and provide training. The 2008/09 accounts were prepared in accordance with requirements and supported by good quality working papers. Our audit identified no material errors but a number of non-trivial errors were found. The latest accounts and annual audit and inspection letter are available on the Council's website which meets all accessibility requirements.
- 49** The Council has arrangements in place to effectively manage its investments and its reserves and balances remain within prudent levels. A treasury management policy and strategy is in place, in line with CIPFA guidance, that clearly outlines the bodies where investments can be made. Although the Council invested in Icelandic banks, their overall treasury management strategy is sound.

Governing the Business

- 50** The Council commissions and procures quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money and has a clear vision of intended outcomes for local people which shapes its commissioning and procurement. The revised priorities included an exhaustive consultation process which ensured all sections of the population had their say. There is a clear system for options appraisal and all new decisions take account of whole life costing. There is a procurement review team and e-procurement has been implemented.

Value for money and use of resources

- 51** Data produced by the Council is relevant and reliable; however data quality policies have not been updated following the change to national indicators. A traffic light system is used to present performance information in a clear and concise way and there are good IT security arrangements in place and the Council achieved Government Connect Status.
- 52** The Council has adopted and promotes the principles of good governance, training is provided to all new members and it is making progress to obtaining East of England Regional Assembly Member Charter status, which is externally validated recognition of good practice in member development.
- 53** The Council has a clear purpose and vision and is committed to achieving this goal. It demonstrates a strong ethical commitment through its standards committee, information about which can be found on the website along with whistle blowing policies and how to make a complaint. Although strong governance arrangements are in place internally this needs to be extended to partnership working. The council has now developed a partnership register to strengthen arrangements and in response to the difficulties experienced in regard to the Visual Arts Facility.
- 54** There is an effective internal risk management system embedded within the organisation and a clear fraud and corruption strategy in place as well as a sound system of internal control, which is reviewed regularly by internal audit.

Managing Resources

- 55** The Council plans, organises and develops its workforce effectively to support the achievement of its strategic priorities. It has a range of HR policies, its turnover is low and there is a performance and review system and an effective procedure for staff absence. The Council has responded to staff survey feedback by providing more opportunities for engagement with management and there are examples of staff suggestions for improvement.
- 56** Workforce planning is comprehensive over the medium term enabling the council to be proactive about gaps and identifying improvement actions such as succession planning. The Council is also developing a longer term workforce plan.
- 57** It has also achieved Level 3 of the Equality standard and is working on improvement actions, having recruited a joint Diversity Officer with Colchester Homes.

VFM Conclusion

- 58** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.
- 59** Based on the Use of Resources assessment, which was linked to the criteria set out above, I was able to issue an unqualified conclusion, stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Colchester Visual Arts Facility review

- 60** I carried out a review looking at the financial and project management of Colchester's Visual Arts Facility (VAF) which provided me with assurance for my use of resources assessment. The aim of the review was to consider how learning from earlier project stages has been used to strengthen current planning and delivery. It also considered the funding position of the project and the robustness of future plans to ensure that the project is delivered and is fit for purpose.
- 61** Key conclusions were:
- the Council and its funding partners are taking action to address previous weaknesses in project delivery and assure the completion of the project. All funding partners are demonstrating a strong commitment to the completion of the project. They are increasingly engaged in the detailed monitoring of project delivery prioritising the understanding of completion costs and ensuring that value for money is achieved for the final stages of project delivery. Funding partners are providing additional resources to meet the estimated budget shortfall. Project management capacity has been enhanced through the appointment of a completion coordinator. Contractual arrangements to support the delivery of the supplemental contract to make the building secure and watertight have been strengthened. Action has been taken to improve communications although this is at an early stage; and
 - despite these actions, risks to the successful delivery of the project remain. Key decisions, such as roles and responsibilities in future project management and the allocation of contracts for the completion of the project, have yet to be taken. Professional disputes remain a significant risk - for example where there is a lack of agreement on the contractual relationship for their resolution such as the replacement of damaged cladding. Public perception of the project is currently poor and further delays to completion pose significant risks for funding partners.
- 62** High level recommendations have been made to the Council and its funding partners to ensure that:
- they have sufficient capacity to act as an intelligent client throughout the final phase of project;
 - there are robust costed plans for completion which are SMART and established on a robust and enforceable contractual basis;
 - risks and plans for their mitigation are accurately detailed and monitored in an open and transparent manner;
 - progress with the delivery of the plans, against allocated budgets, is monitored in an open and timely manner; and
 - improvements to communication lead to the sharing of consistent and accurate information about the project both internally and externally.
- 63** We will be undertaking a formal follow up next year.

Financial standing

- 64** The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams.
- 65** There are further challenges for policy priorities where patterns of demand for services are changing. I have reflected on the wider environmental, specific issues and risks and the Council's response.
- 66** The financial position of the Council is becoming increasingly challenging, in particular for future financial periods (2009/10 onwards):
- increased use of balances to support the budget in 2009/10. The use of reserves has increased from £0.5 million to £1.5 million; and
 - medium term financial planning has identified funding gaps in the region of £1.5 million over the next two years, however there are a number of factors that may affect this forecast.
- 67** The Council is responding to this challenge; the medium term financial strategy considers the impact of the economic downturn and addresses the finding shortfalls identified. The implications of this are understood and the challenges faced are being acknowledged by the Council as a whole.
- 68** The Council invested a total of £4m in Icelandic banks in September 2008, which suffered a default following the collapse of the Icelandic banking system. The Council are awaiting confirmation that an agreement has been reached to compensate creditors of Landsbanki equal to (or exceeding) 83p in the pound. The Council has sufficient reserves to cover the remaining loss.
- 69** Though the economic downturn is presenting specific issues and risks to the Council, I am satisfied that it is taking appropriate steps to respond. However, this is an area I will continue to consider closely when assessing how the Council makes effective use of resources during my 2009/10 audit.

Audit fees

70 The audit has been delivered and concluded within the planned fee.

Table 2 Audit fees

	Actual	Planned	Variance
Financial statements and annual governance statement	£79,098	£79,098	£0
Use of resources and performance reviews 2007/08	£22,455	£22,455	£0
Review of VAF	£10,000	£10,000	£0
Data quality 2007/08	£9,504	£9,504	£0
Whole of government accounts	£3,263	£3,263	£0
Total audit fees	£124,320	£124,320	£0

Closing remarks

- 71** I have discussed and agreed this letter with the Chief Executive and the Head of Resource Management. I will present this letter at the Finance and Audit Scrutiny Panel on 26 January 2010 and will provide copies to all members.
- 72** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

Table 3

Report	Date issued
Audit and inspection plan	May 2008
Opinion audit plan	December 2008
Review of Visual Arts Facility	April 2009
Annual Governance Report	September 2009
Opinion on the financial statements	September 2009
Value for money conclusion	September 2009
Annual audit letter	December 2009
Use of resources report	December 2009
Managing performance and organisational assessment	December 2009

-
- 73** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

Availability of this letter

- 74** This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk and also on the Council's website.

Paul King
District Auditor
December 2009

The Audit Commission

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Finance and Audit Scrutiny Panel

Item
11

26 January 2010

Report of	Executive Director	Author	Ann Wain ☎ 282212
Title	One Place – Managing Performance		
Wards affected	N/A		

The Panel is invited to review the “One Place” Managing Performance report for Colchester

1. Action required

- 1.1 To comment on and note the One Place Managing Performance judgement

2. Reason for scrutiny

- 2.1 One Place (formally known as Comprehensive Area Assessment) Managing Performance is part of the new performance framework, replacing Comprehensive Performance Assessment

3. Background information

- 3.1 One Place (formerly known as Comprehensive Area Assessment) has been brought in to replace Comprehensive Performance Assessment and represents a very different type of assessment. It is made up of two key elements:
 - 3.1.1 An Area Assessment which looks at performance across an area (in our case Essex County) and this judgement was considered at SOSP because of its strategic content
 - 3.1.2 An Organisational Assessment that looks largely at the performance of the Council. It is made up of two strands:
 - Managing Performance which looks at how well we are delivering against our objectives which this report addresses
 - Use of Resources the detail of which is included in the Annual Audit Letter that is a separate item on this agenda
- 3.2 The One Place Organisational Assessment report is attached. It should be noted that Colchester achieved an overall score of 3 out of 4 which means we are an organisation that exceeds minimum requirements. This overall score is a combined score of 3 for Managing Performance and 3 for Use of Resources.
- 3.3 The report details against each of the strategic plan priorities how the Audit Commission views our performance and includes areas where it considers we have delivered well and where we could still improve.
- 3.4 These judgements are formed using a range of methods; regular meetings with a range of officers, consideration of delivery against strategic plan priorities and contribution to the Local Area Agreement targets. The new approach is intended to build a picture over the year rather than a one off intervention.

4. Strategic Plan references

- 4.1 The Managing Performance report is structured around each of the strategic plan priorities.

5. Publicity considerations

- 5.1 One of the Audit Commission's aims for One Place was to make performance information more interesting and accessible for our residents.

6. Financial implications

- 6.1 There are no direct additional financial implications of One Place Managing Performance report.

7. Equality, Diversity and Human Rights implications

- 7.1 One Place is underpinned by a judgement about how an area is addressing inequality and helping people whose circumstances make them vulnerable.

Appendices

One Place Organisational Assessment

Colchester Borough Council organisational assessment 2009

Overall, Colchester Borough Council performs well

Managing performance	3 out of 4
Use of resources	3 out of 4
Managing finances	3 out of 4
Governing the business	2 out of 4
Managing resources	3 out of 4

Description of scores:

An organisation that does not meet minimum requirements, Performs Poorly

An organisation that meets only minimum requirements, Performs Adequately

An organisation that exceeds minimum requirements, Performs Well

An organisation that significantly exceeds minimum requirements, Performs Excellently

Summary

The organisational assessment score is 3 because the Council delivers a good range of services in partnership for local people and uses its resources well.

The Managing Performance score is 3 as the Council is delivering against its priorities. It is using partnership to focus effectively on its neighbourhoods and deprived areas. For example the Council is tackling deprivation and inequality through the Life Opportunities programme. This has resulted in fewer people smoking and a drop in anti-social behaviour. It has responded to the recession well by using its SOS bus as a mobile advice centre. This has included providing debt advice.

The Council is working well to tackle anti-social behaviour with some initiatives delivering significant reductions in town centres. Waste recycling is improving and generally the streets are clean. The Council is also moving forward with its regeneration plans for Colchester. However, it has performed less well on re-letting its housing and on benefits processing performance.

The use of resources score is 3 because the Council manages its finances and resources well and governs its business effectively. The Council continues to manage and understand its finances, moving money around to deal with changes in priorities or specific pressures. It uses its resources well and has a service review process which ensures that its services take advantage of new technology and are value for money. In 2008/09 the Council achieved £1.3m of efficiency savings. It also has a well organised workforce planning approach to ensure that people have the right skills for future developments.

About Colchester Borough Council

Colchester, in Essex, is the second largest borough in England, and includes a large rural area. It has about 180,500 people and the population is increasing faster than average. There are more people of working age population, but the main increase will be in the number of older people. Most people are white British, but there is a large Chinese community in Colchester. Most people are well off and unemployment is low, but some areas within the borough are among the most deprived in England. A relatively high number (30 per cent) of working people have qualifications, but over a fifth has no qualifications. Wage levels are similar to the average for the East of England. House prices in Colchester are some of the lowest in the county and are close to the average for England, but homelessness is a problem. People are generally healthier than in the country as a whole, but more are killed and injured on the roads and smoking in pregnancy is high. Some groups of people are less healthy, for example in the more deprived areas.

Organisational assessment in detail

The Council shows good community leadership and works well in partnership. It revised its priorities and strategic plan in 2008. It links service delivery well with the wider local strategic partnership (Colchester 2020) work and the new priorities reflect the local area agreement (LAA) objectives. It has used the Joint Strategic Needs Analysis to inform a set of "Life Opportunities" targets which are effectively a mini LAA for Colchester and support the countywide targets. While the Council has led this work, there has been strong participation from partners who take ownership on a range of the targets. The Sustainable Community Strategy has also been updated this year to reflect the changing economic climate and the partners are developing an action plan for delivery. The Council is also influential on the Haven Gateway and Regional Cities East partnerships.

The Council now has the following priorities for action:

- Addressing older people's needs
- Addressing younger people's needs
- Community development
- Community safety
- Congestion busting
- Enabling job creation
- Healthy living
- Homes for all
- Reduce, reuse, recycle

Colchester has developed priorities following consultation with local people and organisations. This is reflected in the above average Place Survey result for levels of people who feel they can influence decisions in their locality. Recently set priorities means that outcomes in all areas have yet to be demonstrated.

Addressing older people's needs

The Council is addressing older people's needs. It has introduced concessionary fares from 9 a.m. and has the highest take up of bus passes in the county. It has recently given £30,000 funding to Age Concern to carry out advice and take up work with older people to maximise their income. The Council and its partners have also provided a gardening and DIY service to elderly or disabled people who receive benefit. This was funded through performance reward grant from Colchester 2020.

Addressing younger people's needs

The Council is addressing younger people's needs in various ways. Good progress is being made on addressing childhood obesity. All Colchester schools have signed up to achieve healthy schools status. Children now receive two health improvement sessions a week. The Council and its partners have had success in reducing the gap between the schools with the worst rates of obesity and all schools. Teenage conceptions are falling in some wards but increasing in others, and the partners have set up a joint Council / Primary Care Trust post to tackle both this and smoking. The partnership also has a new target to increase school attendance and is about to launch a reward project to support this. With voluntary sector partners, the Council has appointed a schools liaison worker and uses the Colchester SOS bus to provide a schools education programme. Work delivered includes highlighting the dangers of alcohol and drug use. The Council also promotes and facilitates the Colchester Youth awards sponsored by several local organisations. The Council and partners are therefore putting in place well planned activity to meet the needs of young people.

Community development

The Council and its partners are investing in community development. Projects to support the Local Area Agreement 2 are being funded through £710,000 of performance reward grant. This includes an additional two PCSOs and two street wardens. The partners are creating more community facilities, and developing skills in the adult population. Jobcentre Plus have funded a post to support joint worklessness initiatives. The Council has targeted local deprived communities effectively through its Life Opportunities programme. A focus on specific wards has meant that 31 extra residents in three target areas having gained entry level adult skills. The Council and its partners exceeded their target and helped 20 unemployed lone parents back into work.

The Council has tackled inequality effectively especially at neighbourhood level. The Council met Level 3 of the Diversity Standard in March 2009. To meet the needs of people in vulnerable circumstances the Council and the housing provider (Colchester Borough Homes) has jointly appointed a Diversity Officer. Through the Life Opportunities programme and good local understanding of needs, the Council has a number of initiatives to address deprivation and unemployment. It also has a proactive approach to the recession and identified priority groups potentially in need of support through its customer insight work. This information resulted in three well publicised initiatives; a mobile advice service and debt clinic using Colchester's SOS and Community Bus, a Welfare Advice Market and a confidential debt clinic based in the Customer Service Centre. The mobile advice clinic visited ten wards in Colchester during a week in March 2009. Council staff, together with a variety of agencies, provided over 500 residents with on-the-spot tailored advice. Colchester Borough Homes has an arrangement with credit unions to provide savings and loans services for tenants. It has also developed a partnership with Foundation East, a not for profit company, to provide low cost loans for tenants to alleviate the cost incurred from

door step lending. However, Colchester Borough Homes did not achieve their target to reduce the number of tenants who are evicted because of debt. The Benefits service during 2008/09 has processed applications accurately, though not as quickly as other councils. As in many districts, there was an increase in workload due to the recession, and the Council has since increased staffing to deal with this; however time taken to pay people is still slow.

Community safety

The Council and its partners have responded well to public perceptions about crime. The Place Survey 2008 showed that Colchester residents were comparatively dissatisfied with anti-social behaviour and with people being drunk or rowdy in public places. In response the partnership provided an SOS bus which is part ambulance/part drop in centre, run by Open Road and staffed by volunteers. The initiative has resulted in a 17 per cent drop in violence related to alcohol in Colchester town centre. Targeted work at local level has led to a 33 per cent reduction in anti-social behaviour in St. Andrew's ward and a 28 per cent reduction in Harbour ward, against a target of five per cent for each. Through the neighbourhood action panels, the partners have taken action by providing speedwatch training, tackling littering and fly tipping, providing a new multi user games area and funding of youth activities. The Council is therefore supporting initiatives that are having real impact on crime.

Reduce, reuse, recycle

The Council is making effective progress in meeting its environmental priority of reduce, reuse, and recycle. The Council improved its recycling performance from 31 per cent to 36.9 per cent in 2008/09. This is now an average recycling rate compared to other councils. The waste strategy, which is under review, sets out a major campaign to increase the number of people who recycle. The Council has also extended a free recycling service to schools and positioned recycling bins within the town centre. Together with local people it has reduced the amount of waste going to landfill sites by about ten per cent per household. Levels of litter are generally low. The Council and partners have held three community action days resulting in a wide variety of outcomes including repainting of garages, removing graffiti and fly tips, litter picking and environmental enforcement action. Surveys were also distributed so that local people could inform the neighbourhood action panel about issues of concern. As a result local environmental problems will be owned and acted on more quickly.

The Way we Work programme and its approach to service reviews improves capacity by linking improvements in technology, reviewing processes and providing training. The Council has a Strategy and Implementation Plan to reduce its CO2 emissions by 25 per cent by 2012 based on the baseline full year of 06/07. This aims to bring the Council further savings, for example - a 25 per cent annual saving in CO2 equates to a predicted annual saving in energy costs of £840,000 in 2012.

Congestion busting

Congestion busting is a new priority. The Council is developing planning policy, setting up a travel behavioural change programme, working in partnership to deliver road improvements, upgrading established cycle routes, and making land available for a Park and Ride. Colchester has cycle town status and has received £4.2 million which it plans to use on cycle infrastructure, training and information. It has also been innovative by piloting lower parking charges for lower emission vehicles at

Sheepen Road car park, and using car park pricing promotions to encourage people to travel at off-peak times.

Enabling job creation

The Council has invested effectively to enable job creation and to tackle the impact of the recession. Regeneration projects are under way which will help the local economy. The Community Stadium has just won Project of the Year at the Royal Institute of Chartered Surveyors East of England Awards 2009. Plans for the regeneration area around the stadium include a new junction on the A12, a Business Incubation centre and 1,500 new homes. Town Centre improvements planned include a new shopping centre and a visual arts facility and a cultural quarter. In East Colchester development includes new accommodation for the University, a new research park, community facilities and 1,500 new homes. The Council and its partners are supporting inward investment with initiatives to improve skills levels, for example accredited retail training to NVQ2 qualification for potential employees of two major supermarkets. However, performance on processing regeneration-related major planning applications was slower than the national target, partly due to time taken to negotiate planning gain agreements with developers. The Council is now tackling the backlog and looking at ways of speeding this up. Performance on minor and other planning applications is good.

The Council is working with contractors to complete work on the First Site visual arts facility. Delivery of this project has been substantially delayed and costs have been higher than budgeted. The Council is now working closely with partners and the contractor to ensure delivery within the revised budget.

The Council is financially sound and has a track record of attracting external funding. For example, it was awarded Haven Gateway Growth Area Funding of £2.8 million for five projects including the A12 junction, town centre improvements, and a business incubation unit at the University. It has also received Performance Reward Grant of £710,000 shared across 17 partnership projects to support delivery of the LAA. Projects include schools education programmes, support to small businesses, and anti-social behaviour prevention. As a result the Council can progress cross cutting projects which will make a difference to local people.

Healthy living

The Council and its partners are working well on encouraging healthy living. The Council and its partners have had a positive impact on stopping people smoking – so far beating their targets of a two per cent increase in the number of people quitting smoking in target neighbourhoods beyond the general increase. In an innovative move, the PCT has funded an additional Warm Homes officer to reduce fuel poverty and associated chronic lung disease in less well off wards. It has also contributed towards the cost of free swimming for over 60s and under 16s. The Council has appointed a Health Walks Coordinator who is organising five walks a week. These initiatives aim to limit obesity and help people to become more active.

The Council has a good awareness of the capacity it needs to deliver its priorities. It has filled senior level vacancies and is shifting resources to its priorities such as refocusing an existing position on Younger & Older People's Community Development. The local strategic partnership is delivering against its plans to address key issues such as obesity, smoking and teenage pregnancy.

Homes for all

The Council has had good results on the priority of 'homes for all'. It has provided 120 affordable homes and met its target for 2008/09. This is an achievement in the current economic environment. However, it has missed its end of year target for the number of households in temporary accommodation, which puts achievement of the government target of a 50 per cent reduction at risk. To try to improve performance staffing at the Homechoice shop has been increased. Work on homelessness prevention is starting to be effective, and the Council has expanded the Rent and Deposit Guarantee scheme which helps people into private sector rented accommodation. Performance on decent homes has been average, but in October 2009, the Council will target its work on the worst properties. It has performed poorly on re-letting properties. A number of properties were not made ready in time, with an average re-let time of 40 days in 2008/09, deteriorating from 29 days in 2007/08. As there is a growing demand for public sector housing in the recession this had a serious impact. The Council now has new arrangements in place and performance is improving.

Capacity for future improvement

Despite the change in administration, financial pressures and implementing a new strategic plan, the Council continues to manage and understand its finances, moving money around to deal with changes in priorities or specific pressures. The Council uses its resources well and achieves efficiencies in its activities. The fundamental service review process provides comparison of costs and performance to make policy decisions and identifies new ways of delivering services. It also reviews competitiveness through the procurement process and considers social economic and environmental factors, for example buying a heat exchanger for the swimming pool in line with environmental policy. In 2008/09, the Council achieved £1.3m in efficiencies.

The Council has a skilled and capable workforce which helps it move forward. Workforce planning is comprehensive over the medium term enabling the Council to identify gaps and improvement actions such as succession planning. Turnover is low and the appraisal system ensures that people have the skills they need to do their jobs and are given clear objectives. Staff absence is managed better and has resulted in a fall from 10.25 days in 2007/08 to 8.28 days in 2008/09. A flexible approach to staffing is used such as planning officers now working on regeneration following the decrease in planning applications.



Finance and Audit Scrutiny Panel

Item
12

26 January 2010

Report of	Head of Life Opportunities	Author	Bob Penny
Title	Grounds maintenance contract		☎ 282903
Wards affected	All wards		

This report concerns the contractual arrangements between the Council and Veolia Environmental Services Ltd for the maintenance of landscaped areas within the borough.

1. Decision Required

- 1.1 The Panel is asked to note the arrangements in place relating to the grounds maintenance contract.

2. Reasons for Decision

- 2.1 At its meeting of 30 June 2009, the Panel agreed (minute 7) for a report regarding the grounds maintenance contract to be presented to a future meeting.

3. Alternative Options

- 3.1 The grounds maintenance contract is a 10 year partnership arrangement approved in March 2006 by the Portfolio Holders for Business, Tourism and Leisure and Assets and Resources. Not to award the contract would have required an alternative procurement arrangement which had no guarantee of delivering the service at lower cost or to the same standard.

4. Supporting Information

- 4.1 The Best Value Improvement Plan prepared in 2003 identified that procurement of grounds maintenance services in the form of partnership arrangements should be explored. In line with the Best Value recommendations, White Young Green consultants were engaged to review the grounds maintenance contracts and explore the benefits and suitability of partnership arrangements. Using their extensive database of rates for grounds maintenance services White Young Green were able to assess whether the previous contract arrangements demonstrated value in terms of price and quality and arising from this, whether negotiations on a partnership arrangement were appropriate. The summary of their findings was that the overall standards of grounds maintenance being delivered by the grounds maintenance contractor were good and there was no reason why the Council should not proceed along the renegotiation route as identified in the Procurement Review.
- 4.2 The Portfolio Holder for Business, Tourism and Leisure in the report dated 13 December 2005 resolved to pursue partnership arrangements (Decision reference BUS-018-05).

- 4.3 As part of the exercise in determining contract value, consultants White Young Green prepared their own tender submission based on comparable rates from winning tenders from their database. The annual price submitted by Service Team Ltd was less than the WYG comparison and it was the view of White Young Green that the price submitted by Service Team Ltd was extremely attractive financially being more than 7% below their benchmark and the price submitted represented value for money.
- 4.4 Cabinet resolved on 6 February 2006 (Resolution contained in Minute 61) to invoke Contract Procedure Rule 2(2) to allow partnering arrangements to be entered into and delegated the decision jointly to the Portfolio Holder for Business, Tourism and Leisure and the Portfolio Holder for Assets and Resources.
- 4.5 Prior to the commencement of the current contract in April 2006, grounds maintenance was carried under a contract awarded in 1999. The contract was awarded to ServiceTeam Ltd and resulted in TUPE transfers whereby formerly employed grounds maintenance staff transferred to the new company. In spite of the various company changes, many of the staff have been retained due to TUPE requirements. This has had a beneficial impact on the contract as staff have become familiar with the contract and the complexities of the many site locations.

5. **Scope of contract**

- 5.1 There are principally 2 maintenance contracts that are associated with landscape maintenance in the borough. The main contract currently valued at approx £1.3m per annum is the grounds maintenance contract being delivered by Veolia Environmental Services Ltd. The Veolia main depot is at Westside Stanway. The cost of providing this depot is paid for by Veolia and reflected in their contract value. The previous Council provided depot at Jarmin Road was sold for development. The contract price is reviewed annually taking in to account the annual variation in an industry pricing index known as GM87. There is also a sports ground maintenance contract awarded to Elmy Landscapes Ltd. worth in the region of £340k per annum which is also a 10 year partnering agreement. The sports ground contract covers site specific sports grounds such as Shrub End, Mill Road and Old Heath Recreation Grounds and Castle Park cricket ground.
- 5.2 The grounds maintenance contract provides landscape maintenance for a range of internal CBC and external clients including;
- Parks and recreation
 - Estates
 - Cemetery and crematorium
 - Car parking
 - Museum services
 - Colchester Borough Homes
 - Essex County Council Highways

The sports grounds contract is specific to land owned by Colchester Borough Council and managed by the Parks and Recreation team in the Life Opportunities service group.

- 5.3 Grounds maintenance incorporates a wide range of programmed activities and several activities have different frequencies depending on the clients' requirements. The main activities are:
- Grass cutting
 - Shrub and rose border maintenance
 - Hedge cutting

Spring and summer border maintenance
Grave excavation
Hard surface treatment in CBH drying areas
Litter collection
Basic tree maintenance

- 5.4 In addition to the programmed works which are quantified in the contract, there are occasions when one off “responsive” works are necessary. On such occasions if the work forms part of the contract, the contractor will be instructed to carry out responsive work on the basis of schedules of rates which form part of the contract.
- 5.5 One maintenance activity which is additional to the grounds maintenance contract but is a significant service delivered by Veolia and overseen by Parks and Recreation staff is the Assisted Garden Scheme on behalf of CBH. Those CBH tenants who have gardens but are unable to maintain them themselves or with the help of nearby relatives are able to register for this service and have their grass and hedges cut on a regular basis.

6. **Contractor performance**

- 6.1 The grounds maintenance contract is overseen by the Parks and Recreation team. The contract is grouped in to different work areas with Parks and Recreation staff being allocated to oversee separate sections. Meetings are held regularly between Veolia’s Contract Manager and Supervisor and the Parks and Recreation representatives. These meetings discuss contractor performance, progress on work rotas such as grass cutting, variations to the contract, payments and any other contract related issues.
- 6.2 In addition to the contract meetings, Parks and Recreation staff will carry out site inspections on an irregular basis to observe the standards of delivery. Additionally staff will receive feedback from residents and Councillors. Issues that are received relating to potentially poor standards or non compliance to the contract will be telephoned or emailed through to the contractor. It is usual for the contractor to respond within 2-3 working days to resolve the issue being raised.
- 6.3 The contract provides for a default and rectification process. Where the Authorised Officer is satisfied that the Contractor has failed to perform the Services specified in accordance with the Contract, he will be entitled to issue to the Contractor a Rectification Notice giving details of the failure and requiring the Contractor to remedy such failure within a specified period of time. The period of time for rectification will take into account the frequency of operations and the impact on site quality of the continued failure. If the Contractor remedies the failure within the period allowed he will be entitled to full payment for the services without any deduction.
- 6.4 Where a failure cannot be rectified (a non-rectifiable default) the Authorised Officer will be entitled to issue to the Contractor a Default Notice giving details of the failure. If the Contractor remedies the failure within the period allowed then he will be entitled to payment for the works in accordance with the Contract, subject to the deduction of a sum as set out in the contract documentation to cover additional administration.
- 6.5 The contractor generally responds quickly to reports from the Authorised Officer and although the clause for rectification and default notices is contained within the contract, the contractor’s response has not warranted the issuing of Rectification or Default notices. On rare occasions money has been withheld from the contractor when programmed work has not been delivered. The relationship between the Council and the contractor has been constructive and productive and the standards of maintenance are generally good. With a contract containing in excess of 6,000 plots to be maintained it is

realistic that there will be occasions when a site is missed. The Parks and Recreation section receives feedback from very few Councillors and our contact with the public indicates that they are very satisfied with maintenance standards and the general appearance of the borough's landscaping.

- 6.6 The 10 year partnering arrangement with Veolia Environmental Services Ltd has delivered value for money and high quality landscape maintenance. This is not just anecdotal from comparison with other local authority maintenance standards but has also been recognised nationally through the Green Flag awards for High Woods Country Park, Castle Park and Colchester Cemetery and Crematorium and the prestigious British Association of Landscape Industries Landscape Award for 2007. Sites maintained under contractual arrangements with Veolia (or ServiceTeam before them) have achieved Best Park in Britain Eastern Region Award and Anglia in Bloom awards and the recent Best Park in Britain award for Castle Park. The Council is currently developing a partnership with Veolia to offer horticultural apprenticeships. It is recognised that whilst horticulture is a rewarding profession in terms of job satisfaction, it is not highly paid and as a result the craftsmen skills are becoming scarce.
- 6.7 The sports ground maintenance contract with Elmy Landscapes Ltd has also been recognised for its quality of service. Football pitch and rugby pitch preparation has been considered as some of the best in the region and the Castle Park cricket ground hosts the County Cricket festival on a regular basis. The groundsman at Castle Park has also been awarded several accolades including local authority groundsman of the Year in 2007 voted by Cricket World in conjunction with Pitchcare.com. The cricket preparation was also awarded a regional prize in 2009 for the quality of the playing facilities. Work to the Castle Park cricket field and bowling greens also contributed to the Best Park in Britain award. In the last few weeks Elmy Landscapes Ltd has been bought out by Florattec Ltd. The contract remains with Elmy Landscapes Ltd and the staff will continue to be employed by Elmy Landscapes Ltd with Peter Elmy as the company director. Insurances and Bonds continue to be in place as established when the contract was awarded.

7 Contract growth and new sites

- 7.1 As a result of the increase in new developments over the last few years there has been a need to vary the contract to incorporate the grounds maintenance requirements of these new sites and additional areas that are maintained on behalf of Essex County Council Highways. The process of adoption and land transfer is being improved and it is common for commuted sums for maintenance to be provided by developers to fund the subsequent maintenance of the site. A protocol has been developed between the Parks and Recreation team and Planning officers associated with the requirements of developers to present sites and arrange for subsequent adoption. It is important that the landscaping of a new development is laid out in accordance with the approved drawings and has been maintained to an acceptable standard. The protocol involves the engagement of an independent Clerk of Works to verify compliance with the approved drawing as it is important to avoid the developer offering sub-standard sites for adoption. There are occasions when the developer is required to carry out remedial works to bring the sites to an acceptable standard prior to the adoption of open space by the Council. Subject to the timing of the inspection and remedial works, adoption by the Council can be delayed for several months. It is important that the Council accepts sites which are offered at the required standard and not to be pressured in to taking them from the developer for expediency and then to deal with any latent defects.
- 7.2 There will be a lead in period immediately after the adoption of any open space whilst the contractor's staff become familiar with the new site and the areas for maintenance. Once

the sites are established on the contractor's work rotas, problems and complaints are rare.

8. Standard References

- 8.1 There are no policy plan references or financial implications in this matter. There are no equality, diversity or human rights issues in this matter and therefore no Equality Impact Assessment has been completed. There is no health and safety, community safety or risk management implications in this matter.



Finance and Audit Scrutiny Panel

Item
15

26 January 2010

Report of	Scrutiny Officer	Author	Robert Judd Tel. 282274
Title	Work Programme 2009-10		
Wards affected	Not applicable		

This report sets out the rolling 2009/10 Work Programme for the Finance and Audit Scrutiny Panel

1. Action Required

1.1 The Panel is asked to consider and comment on the rolling 2009-10 work programme.

2. Reason for Action

2.1 This function forms part of the Panel's Terms of Reference in the Constitution.

3. Update to the work programme

3.1 Internal Audit Annual Plan 2010-11 - Due to the Council re-tendering the internal audit contract, there will not be an Annual Internal Audit Plan available for the March meeting. The Head of Resource Management therefore requests that this item originally scheduled for the March 2010 meeting is deferred until May or June 2010.

3.2 The Chairman of the Finance and Audit Scrutiny Panel and the Strategic Overview and Scrutiny Panel (SOSP) have agreed for the strategic reviews of the grant funding to the Council's Arts and Culture funding partners Firstsite, The Mercury Theatre and Colchester Arts Centre, and the future review of the Firstsite Business Plan to be undertaken by SOSP in 2010.

4. Alternative Options

4.1 This forms part of the Panel's Terms of Reference in the Constitution, and there are no alternative options.

5. Standard References

5.1 There are no policy plan references or financial implications in this matter. There are no equality, diversity or human rights issues in this matter and therefore no Equality Impact Assessment has been completed. There is no health and safety, community safety or risk management implications in this matter.

5.2 The work of the Finance and Audit Scrutiny Panel is a key function to ensure probity in financial, audit and risk management.

Finance and Audit Scrutiny Panel

Incorporating Accounts and Regulatory Committee (A&R)

WORK PROGRAMME 2009-10 (last updated 11 January 2010)

To be scheduled

1. Haven Gateway Funding – to be updated at soonest opportunity.
2. Freedom of Information progress report (Hd. Of Corporate Management)

30 June 2009

1. 2007-08 Annual Audit and Inspection Letter (A&R)
 2. 2008-09 External Audit Report (A&R)
 3. 2008-09 Internal Audit Report (A&R)
 4. Annual review of the Governance Framework and Statement (A&R)
 5. 2008-09 Annual Governance Statement (A&R)
 6. Draft Annual Statement of Accounts (A&R)
1. 2008-09 Revenue Expenditure pre-audit outturn (FASP)
 2. 2008-09 Capital pre audit outturn (FASP)

28 July 2009

1. Annual Report on Treasury Management
2. 2008-09 Risk Management Summary

18 August 2009

1. 2009-10 Financial Monitor, period April to June
2. 2009-10 Capital Monitor

22 September 2009

1. 2009-10 Internal Audit Monitor, period April to June
2. 2009-10 External Audit Monitor, period April to June (no business to report)
3. Annual Statement of Accounts (A&R)
4. Office of High Steward (A&R)
5. Review of Parking Services (Portfolio Holder and Head of Service to attend)

20 October 2009

1. Report Publication of Audited Statement of Accounts (A&R)
2. Risk Management period April to September
3. Annual Business Continuity Progress report

17 November 2009

1. Credit Union Funding (officers from ECC to attend)
2. 2009-10 Internal Audit Monitor, period April to September
3. 2009-10 Financial Monitor, period April to September
4. 2009-10 Capital Monitor
5. 2009-10 Treasury Management Monitor
6. Annual Governance Audit Report (A&R)

26 January 2010

1. Annual Audit Letter (District Auditor)
2. 2010-11 Budget Strategy
3. Treasury Management - Investment Strategy
4. Grounds Maintenance Contract (Hd of Life Opportunities)
5. One Place – Organisation Assessment (Executive Director)

23 February 2010

1. Capital Improvement Programme (Decent Homes)*
2. Risk Management, period April to December
3. 2009-10 Financial Monitor, period April to December
4. 2009-10 Capital Monitor

23 March 2010

1. 2009-10 Internal Audit Monitor, period April to December
2. Annual Governance Statement briefing paper
3. Supplementary opinion audit plan
4. Progress report on the Free Freighter Service – date to be confirmed in 2010

* The Head of Strategic Policy and Regeneration / Partnership and Performance Manager requested to provide the Cabinet report (21-Oct-09) with a progress update.

