

# FINANCE AND AUDIT SCRUTINY PANEL

## 25 JANUARY 2011

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

*Also in Attendance :-* Councillor Tina Dopson  
Councillor Beverley Oxford  
Councillor Paul Smith

### 50. Minutes

The minutes of the meeting held on the 15 December 2010 were confirmed as a correct record, subject to the inclusion of an additional paragraph to read "Councillor Mudie asked the Portfolio Holder for Communities, if as part of the verge cutting programme, she would consider the removal of obstructions such as those in Berechurch Hall Road to be moved to enable a higher standard of maintenance at a lower cost to the Council".

### **Councillor Colin Sykes (in respect of his membership of Stanway Parish Council) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)**

### 51. 2011-12 Budget and Medium Term Financial Forecast

Councillor Paul Smith, Portfolio Holder for Resources and Diversity, Councillor Tina Dopson, Portfolio Holder for Communities, Mr. Charles Warboys, Head of Resource Management and Mr. Sean Plummer, Finance Manager attended the meeting for this item.

#### **Have Your Say**

Mr. Nicholas Chilvers addressed the Panel, saying whilst he had no great issue with the Budget papers, he did have two areas of concern which he wished to discuss. Firstly, was his concern that one of the budget item savings was that of the loss of Anti-Social Behaviour / Street Care officers, that with the neighbourhood watch trimmed what impact would this have on the neighbourhoods in Colchester and what additional strain would it put on Street Wardens. In regards to enforcement, Mr. Chilvers asked that enforcement stopped being everybody's friend, and in his ward especially, he would like to see more fixed penalty noticed issued.

In respect of Leisure Services, Mr. Chilvers said as a result of increased charges for leisure activities, he would have to pay an additional ten pence, and asked that if the Council was to be vigorous in raising additional revenue then more realistic increases for leisure activities had to be made. Mr. Chilvers concluded by saying he was happy

that Cemetery and Crematorium Services would remain with Colchester Borough Council.

Councillor Smith said he would pass on the comments of Mr. Chilvers to the relevant Portfolio Holder(s), though adding that he believed a lot of the issues raised would be dealt with through the Street Services Fundamental Service Review and the introduction of zonal working. Councillor Smith also referred members to the anticipated increased savings through increased income by targeting enforcement activity, as mentioned in appendix C of the Budget report.

### **Presentation - 2011/12 Revenue Budget and Medium Term Financial Forecast**

Mr. Sean Plummer presented the report 2011/12 Revenue Budget and Medium Term Financial Forecast.

Mr. Plummer initially spoke about the current year's financial position, with an expected forecast outturn to be a small overspend of less than £200,000, and the 2011/12 revenue cost pressures as mentioned in section 4 of the Budget report and detailed in appendix B.

Mr. Plummer spoke about the savings and increased income, totalling £3.6m, detailed in appendix C and including savings identified through the fundamental service reviews.

A Government grant of £267,000 announced as part of the Comprehensive Spending Review (CSR), and equivalent to 2.5% of Council Tax Revenue would be paid to those Councils, including Colchester, who do not increase their Council Tax rate during 2011/12. It is anticipated that the Government will continue to pay this grant through the period of the CSR, and was not dependent on a "no increase" in the Council Tax Rate during the subsequent years of the CSR period. Later in the discussions, Mr. Plummer confirmed to Councillor Sykes that the grant of £267,000 relates to a no-increase in Council Tax for the year 2011/12 only, and that Colchester would receive the grant for the subsequent three years of the CSR irrespective of decisions made on Council Tax rates in these years.

Mr. Plummer explained that the forecast total expenditure requirement for 2011/12 was £20.26m, by comparison, far less than the 2010/11 figure of £25.67m.

In terms of Formula Grant, the finance settlement announced on December 13 2010 represented a decrease on the adjusted 2010/11 grant of 15.5%, with the Revenue Spending Power showing the same year on year decrease of 6%.

In respect of Grant Damping – Floors, it was explained that this scheme was designed to ensure no local authority receives a cut greater than a given level, and was a self financing system. Mr. Plummer said the cost to Colchester was £1.328m,

Following discussions on the Formula Grant (Revenue Support Grant) later in the debate, and in an effort for Panel Members to get a better understanding of the Formula Grant as reported in paragraph seven of the Budget report, Mr. Plummer was asked to circulate details of Colchester's grant settlement and how this compared to other authorities, specifically the issue of the impact of damping (grant floors), the table

showing Essex authorities and the ranking of authorities which has determined the floor banding.

Mr. Plummer concluded by saying the report was requesting the Cabinet to approve that the Revenue Balances for the financial year 2011/12 be maintained at £1.5m.

### **General discussions**

In response to Councillor Naish, Councillor Smith acknowledged that with staff not going to receive a wage increase during 2011/12, coupled with a reduction in overtime payments, there was a risk of staff unrest. The Chief Executive had communicated to all staff that there would not be a wage increase in 2011//12, that any increase in wages would have a further impact on jobs. UNISON had agreed to a no-increase in wages for 2011/12, but had not commented on future years.

Ms. Ann Wain, Executive Director, said Management are not happy with measures that erode real pay, and whilst UNISON was not happy with this situation, are content with the action taken. Staff had accepted the situation without too much debate, being exceptionally understanding of the circumstances. Ms. Wain said staff had been fully involved in the process to find savings, suggesting many different ways of working, and should be thanked for this, comments endorsed by Councillor Smith. It was confirmed that the Medium Term Financial Forecast included an assumption of a 2% pay award for 2012/13 and 2013/14.

In response to Councillor G.Oxford, Councillor Smith said it had been extremely difficult to forecast car parking income, for example allowing for the impact of the recent bad winter weather. Mr. Warboys said the forecast showed a reduction of £200,000 and therefore was lowering the risk.

Councillor Smith acknowledged the comments of Councillor Arnold, who spoke of the impact on income due to the permanent closure of certain car parks and the introduction of Park and Ride, and the likelihood that this scheme would not come about within the next eighteen months. Councillor Smith said once the modelling and subsequent analysis data from the Park and Ride Scheme are known, an exercise being undertaken by Essex County Council, this information could be made available for scrutiny by the Finance and Audit Scrutiny Panel.

In response to Councillor Willetts who asked whether staff would be effected by the reduction in the training budget and whether this would have an impact on the overall staffing strategy, Councillor Smith said clearly this was an issue that would become more apparent with time. That said, the Council was looking to do training in a variety of different ways, facilitating more in-house training and working in partnership with other neighbouring authorities to share facilitation and costs, that overall would reduce expenditure and provide value for money. Councillor Smith said there could be an impact, but the Cabinet believed the decrease was a fair amount.

Councillor Willetts asked whether the reduction in the Civic Offices and Facilities Management budget would affect the future running of the civic buildings. Councillor Willetts said he was recently unable to enter the Rowan House building to attend a

meeting due to there being no hallkeeping presence, and was it a sign of what will happen in the future. Councillor Smith said again, there will be some impact through this budget reduction, and Councillor Willett's experience, though unfortunate, was a very valid point. Arrangements would however be put in place that enables Councillors to enter the building to attend evening meetings.

Councillor Smith confirmed the reduction in the Messenger and timed post delivery budget was due to the delivery of Councillor Pouches being done internally. But he questioned, given that Councillors have laptops, whether the internal delivery was necessary. Councillor Smith said a non-delivery policy would not be imposed on Councillors, but said he would welcome comments from the Groups.

Councillor Smith explained that the reduction in the Communications budget related to the Council's Courier and that this would be provided on-line, and that would allow amendments to be made at little or no extra cost. Councillor Arnold asked, given the Courier was a reasonably well read document, would those residents without on-line facilities be left in the dark, a point of concern re-iterated by Councillor Naish. Councillor Smith said theoretically yes, there was some risk, though the feedback from residents was they did not value the newsletter, especially given the annual cost. It was pointed out that of the 800-900 responses, the majority of these had been received on-line. Ms. Wain said the Council will not be abandoning the paper copy of the newsletter completely. Residents would be encouraged to look on-line, though the need for some paper copies was recognised, for example, to have displayed in Council buildings, and there remained a small amount of money in the budget to cover this cost. Councillor Smith in response to Councillor Willetts said whatever the outcomes are to the publication of the newsletter, equal treatment would be given to residents in all parts of the Borough. Mr. Plummer confirmed to Councillor Lissimore that the cost reductions on the newsletter would not impact on the web site staff responsible for putting the newsletter on-line. Councillor Manning said there are many public buildings where residents can visit and go on-line and residents should be encouraged to make use of these facilities. Councillor Sykes said he had championed the Courier from the outset, but in terms of local issues, the Courier was at the bottom of the 'moans' list. Whilst Members felt the loss of the hard copy publication was unfortunate, some felt it was not needed. That said they all felt it was imperative that good communications and contact with all residents was retained. Councillor Smith endorsed these comments, saying Colchester Borough Council had a good reputation and the Cabinet would work to ensure this continued.

Councillor Smith, in response to Councillor Arnold who asked whether the last edition of the Courier would 'sign-off', a golden opportunity to explain the reasoning behind the publication ceasing, as well as communicating future on-one editions, said no, and whilst this was an excellent idea, the last edition had been signed-off and gone into production.

In response to Councillor Willetts on whether the reduction in opening hours of the Customer Service Centre was supported by usage profiles, and the concern of Councillor Naish, that this reduction in opening would hinder those who through work commitments need to use the facility before 9.00 am and after 5.00 pm, Councillor Smith said the reduction in hours had been supported by usage profiles, and the

situation will be continually monitored and any problems addressed. Ms. Wain said the analysis had shown the number of visitors prior to 9.00 am and after 5.00 pm was incredibly small, so the impact was minimal and it was from this analysis that the judgement was made.

Councillor Smith responded to Councillor Willetts by saying the reduction in the Customer Excellence and marketing budget would not have a significant impact on Customer Excellence. Mr. Warboys said Customer Excellence is a core objective, built into and delivered through the Fundamental Service Review process. Ms. Wain said the Customer Excellence budget was for specific pieces of work and the cut represented 25% of the original budget. That said Customer Excellence was embedded in the organisation.

Responding to Councillor Arnold, Councillor Smith said the budget saving of £23,000 for Tymperleys was the annual cost to the Council for the maintenance and running cost of the building as a museum. Negotiations with local groups and organisations continue, to provide a charitable community venture, rather than a Council venture. Councillor Smith was not party to the negotiations, but understood they are going well and any formal proposal will form a Portfolio Holder decision but not likely to be taken before February's Full Council meeting.

Councillor Smith confirmed to Councillor Willetts that with regards to the Museums and arts (Museums), the standardising of museum closing times would mean all museums except the Castle would close on a Monday, in line with many national museums that close on one day a week, usually a Monday. Whilst he was not certain, Councillor Smith confirmed to Councillor Manning that he believed the Museums that usually closed on a Monday, would open on Bank Holiday Mondays.

Councillor Dopson, Portfolio Holder for Communities responded to Councillor Willetts to explain the increase to sports pitches charges was part of a flat level percentage increase in all lifestyle sport and leisure facilities, and was necessary although regrettable. Councillor Dopson said the closure of the Leisure World Crèche was also regrettable, but the facility had produced a budget deficit in 2010/11. Opening the facility up to a wider customer base had been considered for 2011/12, but this would only have increased the costs through the need for more staff. Councillor Dopson also confirmed that the increase in income from lunches and snacks at Activity Centres was needed. There had been no increase in food and beverage charges since 2009 and the percentage increase was in line with inflation and below 10%.

In response to Councillor Naish, Councillor Dopson said twelve new plots had been identified for beach huts and the additional income identified was from the ground rent from these locations. Councillor Dopson also confirmed that the increase in rental charges on beach huts put Colchester's rental charges in-line with neighbouring Councils at that time, though members were informed that subsequent to Colchester's decision a neighbouring Council had since increased their charges further.

In response to Councillor Lissimore concerning the introduction of a consistent charging policy for use of Kings Meadow for parking during events, Councillor Dopson said this is work in progress, there currently is no consistent charging policy for use of

Kings Meadow for the variety of events held in or outside the Castle Park. Events that are run by charities utilising the facilities of Castle Park for free, will be able to continue using Kings Meadow parking facilities for free. I am currently reviewing all other uses of Kings Meadow. Ms. Wain said this was an opportunity to implement a consistent policy on charging for all such areas although agreement was still to be reached on how the income will be generated. Councillor Dopson confirmed to Councillor Lissimore that Leisure World parking would be offered to visitors not using Leisure world, for example, town centre shoppers, but this would not be at times of high activity.

Councillor Smith confirmed to Councillor Arnold that the £100,000 arts grants saving represented a percentage cut to all three arts venues, with the same percentage cut to each.

Councillor Smith confirmed to Councillor Willetts that the £8,000 savings for the removal of the project budget and external printing costs from Community Street Wardens and reduction in Street Care Resources of £30,000 were on top of those savings identified in the Street Services Fundamental Service Review (FSR). Ms. Wain said this formed a decision taken prior to the FSR to help the in-year deficit. Ms. Wain also confirmed that a full risk analysis of the Street Services FSR has been undertaken alongside the implementation of the Business Case. Officers are very aware of the risks that are looked at in parallel with the implementation.

Mr. Warboys confirmed to Councillor Willetts that the £50,000 savings identified from the review of ICT resources was a review of how IT is delivered across the Council and was not part of the IT work of the FSRs.

Councillor Manning asked whether it would be possible to report progress against the individual saving options as noted in appendix C of the Budget report, preferably on a quarterly basis, as an appendix to the Financial Monitor. Ms. Wain said this was possible, though she confirmed two thirds of the saving options have already been completed and are now in place.

Councillor Smith, in response to Councillor Arnold acknowledged that the anticipated savings of £200,000 from the review of communications resources across the Council did appear ambitious, but this aspect of work had been identified in many services areas and the review had highlighted efficiencies by pooling the resources, with the economies of scale also providing an overall improvement in performance. There was a need to consolidate resources across a wide range of services, for example, one communication centre for all arts services.

In response to Councillor Arnold, Mr. Plummer clarified that the S106 Monitoring Reserve, as identified in paragraph 10.4 of the Budget report, was made up of contributions from S106 payments, and was a reserve that contributed to the S106 monitoring process. Mr. Plummer said without this reserve the monitoring work would continue, though at present there is sufficient money for the reserve to last for a further two years at the current level of spending.

*RESOLVED* that the Panel;

- i) Considered and noted the 2011/12 Revenue Budget and Medium Term Financial Forecast.
- ii) Requested the Head of Resource Management to consider the practicalities of reporting progress against the individual saving options as noted in appendix C of the Budget report, preferably on a quarterly basis, as an appendix to the periodical Revenue Expenditure Monitoring report.

## **52. Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2011-12**

Mr. Steve Heath, Finance Manager, presented the report Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2011/12.

Mr. Heath said the report would be approved by Cabinet and Council as part of the 2011/12 budget report, though the strategic detail largely remained unchanged from 2010/11.

Mr. Heath said the current view from the Council's treasury advisers is the UK bank rate will begin to increase in the fourth quarter of 2011, reaching 1.00% by the end of the financial year, and with differing opinions on the rate of economic recovery, this represents a moderate view so the risk is currently to the downside.

In regards to creditworthiness, Mr. Heath said the Council will continue with Sector for the treasury creditworthiness service, and whilst the service uses ratings from all agencies in a weighted scoring system the Council will continue to follow the approach suggested by CIPFA of using the lowest rating from all the agencies, known as the lowest common denominator. Mr. Heath also confirmed that the Minimum Revenue Position Policy Statement for 2011/12 states that the historic debt liability will continue to be charged at 4%.

In response to Councillor Manning, Mr. Heath said the Council will only use approved counterparties from countries with a sovereign rating of 'AAA', with Ireland, Portugal and Spain being the countries removed from the previous list of sixteen countries. That said Abbey Bank (part of Spanish Santander Banking Group) was covered by the UK bail-out package.

In response to Councillor Lissimore, Mr. Heath said in respect of Icelandic Investments, the latest guidance on preferential creditor status had not yet been confirmed but was due shortly, with court proceedings being heard in February, though the estimated repayment to Landsbanki's preferential claimants is 95%. Mr. Warboys, Head of Resource Management said all investments made by the Council had been made in accordance with the Council's Strategy as agreed by Full Council, and Colchester had not been identified as being negligent in its investment policy. Those Council's where fault was found was due in the main to investments being made outside their Council's treasury management strategy or where investments were made following the collapse of Lehman's Bank.

*RESOLVED* that the Panel considered and noted the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2011/12, to be considered by Cabinet and Full Council as part of the 2011/12 Budget report.

### **53. Work Programme**

Mr. Judd Scrutiny Officer informed the panel of two additional items to the Work Programme.

The Accounts and Regulatory Committee would meet on the 22 February 2011 to consider the proposition that former Councillor Chris Hall be appointed Honorary Alderman, and on the 29 March 2011 the Accounts and Regulatory Committee would receive a report from the Audit Commission on The Certificate of Claims and Returns.

*RESOLVED* that the Panel noted the current Work Programme and the additional items for review.