

**FINANCE AND AUDIT SCRUTINY PANEL
17 NOVEMBER 2009**

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

Substitute Member :- Councillor Nick Barlow for Councillor Jon Manning

30. Minutes

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

31. Colchester Credit Union Funding

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.

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 Delloitte, 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.