

FINANCE & AUDIT SCRUTINY PANEL

30 JUNE 2008

Present :- Councillor Sue Lissimore (Chairman)
Councillors Kevin Bentley, John Bouckley, Martin Goss,
Jackie Maclean, Jon Manning, Nigel Offen,
Gerard Oxford, Laura Sykes and Dennis Willetts

Also in Attendance :- Paul Smith

Substitute Member :- Councillor Kim Naish for Councillor Dave Harris

3. Minutes

The minutes of the meetings on 18 March 2008 and 14 May 2008 were confirmed as a correct record.

Councillor Sue Lissimore (in respect of being a former member of the Board of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

4. Items requested by members of the Panel

Councillor Oxford requested a report giving an update on the Decent Homes Programme, to include information on the number of homes that have received an upgrade and those, by ward or district, that were still to be upgraded, the proposed number of bathroom, windows and doors upgrades and the estimated costs, with assurances that the monitoring procedures in place would avoid duplication of effort.

RESOLVED that the panel agreed to the request for the Head of Strategic Policy and Regeneration to present to the panel at the earliest convenient meeting an update report on the Decent Homes Programme, with an invitation to attend going to the Chairman of Colchester Borough Homes and the Chief Executive of Colchester Borough Homes.

Councillor Sue Lissimore (in respect of being a former member of the Board of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

5. 2008-09 Audit and Inspection Plan

Mr. Paul King, District Auditor and Ms. Christine Connelly, Audit Commission, attended the meeting for this item.

Mr. King introduced the 2008-09 Audit and Inspection Plan, the Audit Commissions

proposed work plan for 2008-09 as described in pages 9-10 of the Audit and Inspection Plan. Mr. King confirmed that the three major projects in Colchester, the Community Stadium, Firstsite Newsite and the Housing Repairs contract including the Decent Homes Programme would all remain under constant review.

Mr. King summarised the fees to be charged by the Commission, saying this represented a small increase, and with Colchester's scale fee at -16%, this was the lowest point for any Council in Essex.

In response to Councillor Goss, Mr. King said the detailed audit and inspection fee on page 21 of the plan illustrated and ensured the overall audit and inspection work would be co-ordinated and kept to a minimum.

In response to Councillor Bentley, Mr. King said the Audit Commission was responsible for appointing the auditors for public bodies and could appoint private companies or Audit Commission staff to carry out audits on their behalf. The fee scales were determined by the Audit Commission and apply irrespective of the auditor appointed.

Mr. King acknowledged the concerns raised by Councillor Oxford in respect of the previous arrangements for Decent Homes Programme Contract and the potential problems associated with transactions that may not be properly reflected in the financial statements, and the ongoing risks for any future works.

In response to Councillor Willetts, Mr. King confirmed that the Value for Money exercise on the early cessation of the Decent Homes Contract would include what the decision making process was, the financial outcomes and what legal advice the Council received, plus the risks and benefits of alternative outcomes.

RESOLVED that the panel noted the Audit and Inspection Plan 2008/09.

Councillor Sue Lissimore (in respect of being a former member of the Board of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

6. Work Programme

Councillor Offen proposed a future item, a value for money review of waste recycling, including what we recycle, the way we recycle and the waste stream revenue.

Councillor Manning requested further information on visiting numbers to Leisure World, illustrating peaks and troughs in usage.

In response to Councillor Manning's request, the panel suggested that Councillor Manning should speak to the Portfolio Holder for Culture, Tourism and Diversity.

RESOLVED that:-

- i) The panel noted the work programme for 2008/09.
- ii) The panel agreed to invite the Head of Street Services to report to the panel on a review of recycling, at the next convenient meeting.

Councillor Sue Lissimore (in respect of being a former member of the Board of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

7. 2007-08 Revenue Expenditure pre-audit outturn

Mr. Steve Heath, Finance Manager, attended the meeting for this item and introduced the report, giving an overview of the year end results for the Pre-Audit Revenue Outturn 2007/08.

In response to Councillor Willetts, Mr. Charles Warboys, Head of Resource Management said that whilst there had not been any litigation or award against the Council in respect of the cessation of the Decent Homes and Housing Repairs Programme Contract, the agreed negotiated settlement of the repairs contract was reflected in the pre-audit revenue outturn for the Housing Revenue Account. Mr. Warboys, Head of Resource Management said the agreed settlement figure was paid for all completed works.

Councillor Smith, Portfolio Holder for Resources and Business addressed the panel to explain that due to the confidentiality clause within the negotiated settlement of the contract, he was happy to answer questions on the detail of the settlement in closed session.

Councillor Bentley, Willetts and Lissimore expressed deep concern about what had happened in regards to the contract and felt it was a step backwards to discuss in private session, registering their disappointment that this would be discussed in closed session after the exclusion of the general public.

Councillor Manning felt it would be prudent to add in additional contributions over the following years of the five year Buildings Maintenance Programme.

In response to Councillor Bouckley, Mr. Heath said the £100,000 allocated for funding economic development initiatives did include £15,000 towards the refit of the SOS bus.

Councillor Offen said the variance of £138,000 on advertising income was due to the over ambitious targets set at the beginning of the year. Ms. Ann Wain , Executive Director said the income from advertising will improve in 2008-09 as a result of 'Roundabout Advertising'.

Councillor Bentley considered the sums set aside in the allocation of the 2007-08 underspend / additional income budget for front line services was meagre and that

more attention should be given to services such as Street Wardens and Waste Services, though he applauded the £100,000 contribution to the capital expenditure reserve for opportunity purchases.

Councillor Smith believed the sums made for a prudent budget, and in response to Councillor Lissimore said the £100,000 allocated to the Concessionary Fares Scheme was the best estimate at this time for meeting the costs for the extended hours of the scheme, though there was no guarantee this would be sufficient funding.

RESOLVED that the panel noted the Pre-Audit Revenue Outturn 2007/08.

Councillor Sue Lissimore (in respect of being a former member of the Board of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

8. 2007-08 Capital pre-audit outturn

Mr. Andy Wilks, Finance Manager, attended the meeting for this item and introduced the report on the Pre-Audit Capital Outturn 2007/08.

In response to Councillor Offen, Mr. Wilks explained that the total value of the Capital Programme was £64,566,500, with £60,566,500 approved to proceed and £4,000,000 where approval was still needed.

Councillor Smith said the future Capital programme was reliant on the sale of assets, and he and officers would need to look at the programme with a view to reducing risk and funding in the current financial climate.

Councillor Bouckley expressed his thanks to officers for the speedy and efficient completion to the Mersea Pontoon project.

RESOLVED that the panel noted the Pre-Audit Capital Outturn 2007/08.

The Committee/Panel resolved under Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the following item as it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

Councillor Sue Lissimore (in respect of being a former member of the Board of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

Paul Smith (in respect of being a member of the Board of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

9. Early Cessation of Decent Homes and Housing Repairs Contract

Councillor Willetts, in respect of his disappointment that the following item would be discussed in closed session, left the meeting.

Councillor Smith, Portfolio Holder for Resources and Business addressed the panel explaining that a confidentiality clause within the mediation settlement agreement prevented him and officers from discussing details of the settlement in public. Councillor Smith explained to panel members the consequences to the Council should the settlement agreement be breached.

Councillor Smith said the Council considered the legal costs to terminate the contract versus the option of going to mediation, choosing mediation, in which negotiations took place over two days. The final settlement figure was agreed by the Executive Director, Mr. Ian Vipond, the Head of Financial Services, Mr. Charles Warboys and the Head of Housing and Environmental Policy, Mr. Matthew Young under delegated powers by the Chief Executive, Mr Adrian Pritchard.

Councillor Bentley, as previously mentioned on the item 'Year End Internal Assurance Audit Report' considered one internal auditor working on behalf of, but under the individual protocol of Colchester Borough Council and Colchester Borough Homes did not sit comfortably with him, especially in light of this information and the realisation that the appropriate financial controls were not in place. Councillor Bentley asked what the Cabinet are going to do, and what action will be taken, to correct this situation. Councillor Bentley concluded by requesting a review of the Decent Homes and Housing Repairs Contract, including an investigation into how it went wrong and why there were limited financial controls in place, and the outstanding works.

Councillor Smith said the Council would continue the Decent Homes Programme, but with a completion date of 2010, still within Government guidelines. An assessment will be made of outstanding works and how best to service an affordable but fair programme for the remaining properties to be brought up to standard.

In response to Councillors Manning and Offen, Councillor Smith said interim arrangements for the new contract were being managed by Colchester Borough Homes with works being undertaken by the company Ridge. Councillor Smith said that as a member of Colchester Borough Homes Board, he would be closely scrutinising the financial reports for the contract, and confirmed that negotiations between the partners was being vetted by lawyers representing all partners.

RESOLVED that the panel agreed to request the Head of Strategic Policy and Regeneration to present to an agreed forthcoming meeting of the Finance and Audit Scrutiny Panel or a non public meeting in private session, the meeting and meeting date to be agreed by the panel, a report to review the Decent Homes and Housing Repairs Contract, including an investigation into how it went wrong and why there were limited financial controls in place, and the outstanding works, with an invitation to attend going to the Chairman of Colchester Borough Homes and current and previous Chief Executive's of Colchester Borough Homes.