

FINANCE & AUDIT SCRUTINY PANEL 21 OCTOBER 2008

Present :- Councillor Sue Lissimore (Chairman)
Councillors John Bouckley, Martin Goss, Dave Harris,
Jon Manning, Gerard Oxford, Laura Sykes and
Dennis Willetts

Also in Attendance :- Paul Smith

Substitute Members :- Councillor Kevin Foster for Councillor Kevin Bentley
Councillor Jackie Garnett for Councillor Jackie Maclean
Councillor Nigel Hogg for Councillor Nigel Offen

31. Minutes

The minute for the meetings held on the 2 and 16 September 2008 was confirmed as a correct record.

32. Have Your Say!

Mr. Andy Hamilton addressed the panel saying he was concerned about the way the Council conducted business in secrecy, hiding the facts, and how information gets disclosed through the press. Mr. Hamilton said his feelings were reflected at this meeting by the report on the Financial Arrangements for Firstsite Newsite, to be taken in closed session. Mr. Hamilton said he believed there were discrepancies in the details of the Firstsite Newsite finances as disclosed in the 2006-07 Public Accounts, and to further conceal the current financial position would only create more problems than if the item was taken in open session.

Mr. Nick Chilvers addressed the panel saying that whilst he was not personally against the concept of a visual arts facility for Colchester, he believed the current project was out of proportion to the needs of Colchester in terms of size and cost, and that the suggested benefits to the Town were exaggerated. In suggesting questions that may be asked by the panel on the item of the Financial Arrangements for Firstsite Newsite, to be taken this evening in closed session, Mr. Chilvers said some comments by the public may be misinformed, but this is not surprising given that the public are not informed and become sceptical. Mr. Chilvers concluded by saying that given the current financial worries for local people there are now more important things than the Visual Arts Facility to consider, a project where nobody had covered themselves in glory, a project that was a public relations and financial disaster.

Councillor Dave Harris (in respect of being a current Member of Colchester Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

Councillor Sue Lissimore (in respect of being a former Member of Colchester

Borough Homes) declared a personal interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7(3)

33. Work Programme 2008-09

In response to Councillor Oxford, Mr. Ian Vipond confirmed that a piece of work was currently being undertaken on reviewing the remaining Decent Homes Programme, and he anticipated that this report would be completed shortly.

RESOLVED that;

- i) An update report on Treasury Management – Investments would be scheduled into the work programme for the meeting on 20 January 2009.
- ii) The Scrutiny Officer would review the work programme from the 20 January 2009 onwards, to even out the work load for each meeting.
- iii) The Scrutiny Officer confirmed that an additional meeting date, probably in late November / early December would be agreed with the panel and scheduled accordingly, to review the final report following the review of the Decent Homes Contract.
- iv) The Scrutiny Officer confirmed that a meeting date, to be agreed with the panel would be arranged to review the Financial Arrangements for Firstsite Newsite.

34. 1st and 2nd Quarter Risk Management Progress Report

Ms. Hayley McGrath, Audit and Risk Manager, attended the meeting for this item, and presented the 1st and 2nd Quarter Risk Management Progress Report.

In response to Councillor Willetts, Ms. McGrath explained the process for analysing risk, i.e. the probability of the risk occurring (a score of 1-3), multiplied by the impact of the risk occurring (a score of 1-3). Councillor Smith, Portfolio Holder for Resources and Business in response to Councillor Willetts said the assessment was based on likelihood and impact, so for instance, there maybe a view taken of a shortage of funds for a strategic risk, but the overall view is that should the risk occur this would not have a major impact. Councillor Smith said managing the risks can mitigate the score.

In response to Councillor Harris and Foster, Ms. McGrath confirmed that the Risk Register was regularly reviewed by the Executive and Heads of Service. Ms. Ann Wain, Executive Director said the Council did have a robust performance appraisal system in place and all members of staff are appraised annually with a six monthly follow-up review. Ms. Wain said the 'People Strategy' ensures the skills and capacity are appropriately based and identifies priority areas for improvement. Member Development Programmes and personal development and appraisal are in place to avoid vulnerability, and local salaries are benchmarked to ensure Colchester remains competitive.

In response to Councillor Goss, Ms. McGrath explained that the Strategic Risk Register was for the aims of Colchester Borough Council, that were high level issues, and for this reason did not show any great changes report on report. The Operational Risk Register concerned the day to day business of the Council. This register was currently under review and development, and the risks would feed into the reports to the panel shortly. Ms. McGrath said Councillor Goss's suggestion for clearer (traffic lights) scoring and identification would be considered.

RESOLVED that the panel commented and noted the 1st and 2nd Quarter Risk Management Progress Report.

35. Treasury Management - Investments

Mr Warboys, Head of Resource Management attended the meeting for this item and presented the report on Treasury Management – Investments.

In response to Councillor Lissimore, Mr. Warboys said there was no absolute guarantee that the Council would receive a return from the current investments with the Icelandic banks. Mr. Warboys said Colchester, along with 123 other local authorities with similar investments are in continual joint discussions with the Local Government Association, who are liaising with Government.

In response to Councillor Hogg, Mr. Warboys said officers manage all daily investment transactions, in strict compliance with Council policy. The Portfolio Holder did not get involved at this level. Mr. Plummer, Finance Manager, said officers continually monitor cash flow movements on a daily basis, and any surplus cash (from cash flows) is invested in line with the Council policy and to provide appropriate returns. Some reserves and balances are often subject to consideration of 'longer term' investment periods, and guidance on these investments is sought from the Treasury Management Advisors who offer a view. The policy and procedure undertaken by officers is within the policy guidelines agreed by Council and is of a similar general approach taken by other local authorities.

In response to Councillor Goss, Mr. Plummer said no comments were raised by any Councillors following speculative press comments in March 2008. On 2 May, Mr. Plummer said the Council had approximately £10-12 million invested in Icelandic banks (the figure was confirmed as being £12m), and confirmed that the Council had previously invested money in Northern Rock and the Bradford and Bingley Building Society, though all the investments made with these financial institutions were repaid on time.

In response to Councillor Foster, Mr. Warboys said that at the time of the investment there was no change to the Landsbanki Islands credit rating and that no advice had therefore be received to not invest in Icelandic banks. Changes in credit ratings had been received for other Icelandic banks and the Council had therefore removed them from the lending list.

In response to Councillor Willetts, Mr. Plummer said the Treasury Management Advisors are paid a 'flat rate fee', for a wide range of financial services, and are not paid any performance related fees. In response to Councillor Oxford, Mr. Warboys and Mr. Plummer confirmed that whilst they appreciated member's comments and concerns on the Icelandic investments, Sector Treasury Services, who provide the Council with credit ratings produced by Fitch, did not advise of any change in the credit ratings of Landsbanki Islands as the rating had not changed. Had such a change been made, the Council would have acted accordingly.

Councillor Smith, Portfolio Holder for Resources and Business, in response to Councillors Willetts and Foster said the Cabinet would be reviewing the Treasury Management Policy, given that lessons need to be learnt from recent events. The outcomes of this review are not yet known, but ways of mitigating against recent events will be addressed.

In response to Councillor Manning, Mr. Warboys confirmed that the Council's investments were spread, which in turn, spread the risk, though confirming the investments could be more widely spread.

Mr. Plummer confirmed that recent Government statements of support and comments from the Icelandic banks receivers were positive. The LGA statement said there had been no indication of councils investing recklessness and that councils may receive a share of the Icelandic funds seized by the Government.

The Chairman thanked officers for preparing a comprehensive report at short notice and responding to questions from the panel.

RESOLVED that the panel noted and commented on the current situation in respect of the Council's investments and specifically our outstanding deposits in the Icelandic bank, Landsbanki.

36. Firstsite:newsite

Mr. Ian Vipond, Executive Director, attended the meeting for this item and addressed the panel. Mr. Vipond in response to the comments concerning the confidentiality of the report said he recognised the need to be as open as possible given the genuine concerns of the public and the increase in project costs, a view endorsed by Councillor Hunt, Portfolio Holder for Customer Services and ICT.

Mr. Vipond said reports on contractual arrangements with third parties, by their nature, if they include details of contracts will inevitably be confidential. Likewise, if a report deals with issues putting forward tactics for future procurement it will inevitably be confidential to avoid publically exposing the Council's tactics before they are acted out.

In the context of the report on the Financial Arrangements for Firstsite Newsite, Mr. Vipond suggested that following the review of this item this evening, he would review the report to see what is genuinely confidential and then produce a public statement to be issued with the minutes of this meeting.

Following lengthy discussions on how this review should progress, members put forward three proposals, as follows;

Proposal 1, the panel would review this report, this evening in public, mindful that no part of the report considered confidential would be referred to, or discussed (FOUR voted FOR, FIVE voted AGAINST and TWO abstained). This proposal was therefore declined.

Proposal 2, the panel would review this item at a later date, to be confirmed, with as much information supplied within a non-confidential report, to be discussed in open session, and any confidential detail discussed on part B of the agenda (SIX voted FOR, FIVE voted AGAINST). This proposal was accepted by the panel.

The third proposal of continuing the meeting as originally planned was therefore not considered.

RESOLVED that;

- i) The panel agreed to review this item at a later date, to be confirmed, with as much information supplied within a non-confidential report, to be discussed in open session, and any confidential detail discussed on part B of the agenda.
- ii) The panel agreed that in future, when a report is drafted for scrutiny, officers should make every effort to provide a non-confidential report, to sit alongside a confidential report if needed, thereby allowing members of the public to see some written detail, hear an open debate, and have an opportunity to respond under 'Have Your Say'.