

## GOVERNANCE AND AUDIT COMMITTEE

18 October 2022

*Present:-* Councillor Paul Smith (Chair)  
Councillor Dave Harris, Councillor Chris Pearson,  
Councillor Rhys Smithson, Councillor Dennis Willetts,

*Substitutions:* Councillor Tracy Arnold for Councillor Sam McCarthy  
Councillor William Sunnucks for Councillor Barbara Wood

*Also Present:-* Councillor King, Councillor Cory\*

\*Attended remotely

### **329. Minutes of the previous meeting**

*RESOLVED* that: the minutes of the meeting of 6 September 2022 be confirmed as an accurate record.

### **330. Local Government and Social Care Ombudsman – Annual Review letter 2022**

The Committee considered a report providing details of Colchester Borough Council's Annual Review Letter for 2022, covering the period ending 31 March 2022.

Andrew Weavers, Strategic Governance Manager, attended the meeting remotely to introduce the report, and assist the Committee in its deliberations. The Committee heard that the report had been considered by Cabinet at its meeting of 7 September 2022, when Cabinet had agreed its contents. The attention of the Committee as directed to three key areas in the Officer's report; the number of complaints upheld, compliance with recommendations, and satisfactory remedies provided by the Authority. A single complaint had been upheld by the Local Government and Social Care Ombudsman (the Ombudsman) with a finding of maladministration causing injustice. The report contained details of the complaint, and explained the context in which the complaint had been made. The Committee was referred to details in the report providing details of the numbers of complaints which had been made and upheld in previous years, together with a comparison of Colchester Borough Council (the Council)'s performance in this regard against other Essex Local Authorities.

A Committee member noted the Council's good performance in the manner in which the Council had conducted itself, which was evidenced by the low number of a single upheld complaint, but wondered what the threshold was for a complaint being

considered serious enough to be referred to the Ombudsman. The Strategic Governance Manager explained to the Committee that a complaint would only be referred to the Ombudsman after a particular issue had exhausted the Council's own two stage complaint procedure.

Councillor Cory, Portfolio Holder for Finance, attended the meeting remotely, and with the permission of the Chair, addressed the Committee. He offered praise to the Council's team with the responsibility for allocating business support during the Coronavirus pandemic, who had been the subject of the upheld complaint. He informed the Committee that this team had been one of the quickest in the country in distributing aid to businesses, supporting thousands of businesses in the borough, and delivering millions of pounds in support. When this huge volume of successful work was considered, he did not consider that a single complaint, which had been successfully resolved, offered any particular cause for concern.

*RESOLVED* that: the contents of the Local Government & Social Care Ombudsman's Annual Review Letter for 2022 be noted.

### **331. Health and Safety Report 2022**

The Committee considered a report providing members with an overview of the Colchester Borough Council (the Council)'s Health and Safety activity during the year from 01 October 2021 to 30 September 2022.

Andrew Weavers, Strategic Governance Manager, attended the meeting remotely to introduce the report, and assist the Committee in its deliberations. The Committee heard that the Coronavirus pandemic had continued to impact the Council's health and safety priorities during the early part of the year, and steps were taken to continue to protect staff and members of the public during this time. A rolling programme of fire risk assessments had been undertaken for all corporate buildings by an external consultant and no significant issues had been identified. Additional health and safety training had been provided for staff, and a safety consultant had been engaged as part of the United Kingdom Drowning Prevention Strategy to review over 30 areas of water for which the Council was responsible. As a result of this review, a number of recommendations were made, but none required any emergency actions. A hypothetical incident was tested at the Council's Shrub End Depot, and although the test did not raise any concerns, accessibility to paperwork was improved as a result.

The Committee was advised that 880 reports of near misses had been made, compared to 490 in the previous, and a near miss was characterised as an incident which did not hurt anyone, but which could have. The reporting of near misses had been encouraged across the organisation in the hope that learning from these could prevent future incidents. It was explained that the reason for the increase in the number of reports was that the Council's leisure centre were now reporting all incidents, including injuries sustained while playing sports. The Corporate Health and Safety Officer had also worked with the Council's Neighbourhood Teams, who had recorded the second highest number of near misses, to monitor health and safety

issues and promote a healthy working environment. In spite of the increased numbers of near misses, there had been no serious incidents reported this year.

The Council's Health and Safety Policy had been updated to reflect changes in names of post holders, and although the Policy tended to refer to the Leader of the Council and Cabinet, all Councillors had a duty of care in relation to health and safety.

Noting that second highest number of near misses had been reported by the Council's Neighbourhoods Team, the Committee requested that more specific details of the incidents be provided with the update next year to enable more detailed understanding of the figures and any improvements which had been made as the result of incidents or near misses. It was also noted that although there had been a significant increase in the number of near misses reported due to a change in reporting procedure, in future years it would be possible to compare differences in these figures meaningfully. A member of the Committee had been out on a shift with the Neighbourhood Team, and had been very impressed with the level of safety awareness which had been demonstrated both via a briefing and through the use of personal protective equipment.

The Committee welcomed the suggestion that greater details be provided in the future, and it noted that the recording of near misses was an essential and valuable process which provided opportunities for learning and future improvement.

*RESOLVED* that:

- (a) The health and safety work that had been undertaken between October 2021 and September 2022 had been reviewed,
- (b) The Health and Safety Policy for 2022/2023 be approved.

### **332. Treasury Management – Annual Review 2021/22**

The Committee considered a report as part of the cycle of monitoring treasury management, which covered all the borrowing and investment activities of the Council.

Paul Cook, Head of Finance, introduced the report and assisted the Committee in its deliberations. The Committee heard that the report was presented as part of the Council's ongoing treasury management monitoring, and update reports on the current position would be presented through the municipal year. The confidential appendix to the report contained details of the Council's investments. The Council had employed the Link Group as treasury management advisors in 2021/2022, and their performance had been good.

The Committee was advised that capital expenditure was at a lower level than in 2021/2022, although the figure had yet to be fully confirmed as the 2021/2022 audit was yet to be completed by the Council's auditors, BDO. As a consequence of this,

the Council's borrowing and financing requirements were also lower than the strategic assumption had been.

The report contained detailed information setting out the Council's performance on Treasury Management Strategy Prudential indicators, and in response to questions raised by members of the Committee, a chart illustrating the maturity distribution of the Council's debt portfolio had also been included, demonstrating that predominantly the Council's borrowing was in very long fixed rate maturities. This meant that the recent abrupt interest rate changes had not had a detrimental impact on the Council's finances.

More in depth details would be provided when the 2022/2023 mid-year treasury management report was presented to the Committee, and the Committee was asked to indicate whether there was any other information which it would like to see at this time.

A Committee Member suggested that as the Council hadn't done as much borrowing as expected in the last year, and now that interest rates had risen, future borrowing was now likely to bring with it additional cost. The Head of Finance explained that it was intended to run down the Council's investments to avoid external borrowing. It was not the Council's policy to borrow in advance of need, and further information on this would be provided to the Committee during the mid-year review. Additionally, the yield curve suggested that when the Council did need to borrow again in coming years, interest rates could be lower than they were at present.

The Council was very careful to adhere to government requirements, and only borrow when there was a need for capital expenditure. Very close attention would be paid to interest rates when the Treasury Management strategy was set for 2023/2024, and it was confirmed to the Committee that the Council did not borrow for income earning investment, in accordance with treasury guidance which set out the permissible purposes for borrowing.

In response to questions from a Committee member, the Head of Finance confirmed that the Council's Treasury Management Strategy and Capital Programme were inextricably linked, and when the Capital Programme was rest for 2023/2024, very careful consideration would be given to the cost of new borrowing and Minimum Revenue Provision (MRP). More depth of analysis would be provided in future reports, and options could be given as to how it may be possible to address higher borrowing rates. Information would be provided on premature redemptions which were intrinsic to the Public Loans Works Board's express value of the debt, and which represented a particularly complex element of the Council's finances. It was felt it was important to strike a balance between broad overview and the granularity of information provided in Officer's reports. A Committee member suggested that rather than making the Officer's report a very lengthy document, links to detailed documents could be provided, together with data labels on graphs which were provided to aid comprehension. Changes in the Council's debt portfolio year on year, would also be presented to the Committee in future reports.

*RESOLVED* that: the Treasury Management Annual review for 2021/2022 be approved.

### **333. Capital Monitoring Report Quarter 1 and 2**

The Committee considered a report setting out the Council's Capital Programme against budget for quarter 2 financial year 2022/23.

Paul Cook, Head of Finance, introduced the report and assisted the Committee in its deliberations. The Committee heard that updated figures had been published as a supplementary agenda item to take account of Housing Revenue Account (HRA) items which had not been included in the initial report, and this updated information had been circulated to the Committee ahead of the meeting. It was important that the Council was seen to be maintaining the discipline of regularly monitoring the Capital Programme.

Overall, 33% of the budget had been spent for the planned programme for 22/23, which represented an improvement on the previous years spend at this time, but was still lower than desired. Additional costs had been added to some of the schemes, and an appendix to the report contained the 'red, amber, green' (RAG) ratings of each of the schemes, together with explanations and comments on the red rated schemes. The Committee would receive an update on the spending up to quarter three of the financial year at its meeting in January 2023.

The committee considered that the changing circumstances of an inflationary environment meant that the Capital Programme warranted particularly careful attention. It was suggested that, given the current difficulties which were caused by the rising costs of capital investment and resourcing issues which had arisen since items were added to the Programme, Cabinet should consider reviewing each item on the Programme to determine whether or not it was appropriate that it continue, or be modified.

Colchester Borough Council (the Council) had recently undergone a Peer Review Challenge, and it was noted that the reviewers had comments on the delivery of the Council's Capital Programme and suggested that improvements be made. Paul Cook noted that there had been difficulty over the preceding financial years with spending the planned Programme. The Council was successful in drawing in internal funding, and was able to deliver parts of the Programme for little cost to residents as a result of this. The Programme was ambitious, with many of the projects important to the delivery of the Council's Strategic Plan, however, improvements in the process could be made, and careful consideration would be given to this in future. As part of the established budget process the Capital Programme would be considered in its entirety when it was reset for 2023/2024, and as a matter of course each scheme in the Programme was carefully considered at every stage.

Councillor Cory, Portfolio Holder for Finance, attended the meeting remotely, and with the permission of the Chair, addressed the Committee. He offered the Committee assurance that when he had been the Leader of the Council, some of the

current difficulties caused by material and labour shortages had been foreseen. He considered that the Council's Capital Programme was particularly ambitious, and wondered whether consideration needed to be given to both the principle and practical elements of this. The comments made by the peer review team and the Committee were welcomed, and Cllr Cory looked forward to drawing on the technical expertise contained within the Committee as the Capital Programme continued to be reviewed. A Committee member supported the suggestion that Cabinet needed to review the Programme as a matter of urgency, however, a balance had to be struck so that projects which were ready to commence were not unduly delayed by such a review.

The RAG rating methodology of schemes on the Programme was considered by the Committee, and it was suggested that a more objective method of rating the schemes with clear evidence, as a percentage of progress against budget and timescales etc, may be beneficial to the Committee when considering the Programme in the future.

A Committee member wondered whether the culture within the Council, which had to be bureaucratic by its nature, could be proving to be an obstacle in delivering some of the Capital Programme, suggesting that project managers who drove projects forward should be supported fully. It was noted that the Council was engaged in purchasing housing stock to use for social housing, however, borrowing rates were at 5.5% while income generated by the housing sat at 1%, leading to a net loss from this activity, could this be re-considered? The Committee was reminded that the provision of social housing was not a direct profit making activity, but was designed to provide a service for the people of Colchester, and potentially avoid additional costs that were associated with homelessness and other social issues.

Councillor King, Leader of the Council, attended the meeting and with the Chair's permission addressed the Committee. He appreciated the comments which had been made, and acknowledged that the Council had not been spending money at the rate which had been forecast, which was a problem. He considered, however, that the Council's project managers had performed very well in delivering projects in difficult circumstances, although it was recognised that additional resource was required in this area. The Committee was assured that the items in the Capital Programme would be reviewed in great detail, and that challenge from the peer review, Members and Officers was welcomed.

A Committee member wondered what metrics would be used to rate each item in the Capital Programme, as they considered it was sometimes hard to evaluate the relative merits of individual schemes. How would the schemes be compared and contrasted in order to be able to document their individual benefits? Councillor King considered that cross-party involvement would be important when considering the Programme, when challenging and testing where the Council's strategic priorities lay. Projects that were underway would be delivered to the best ability of the Council, and Councillor King was keen to assess any contingency plans which were in place for the remainder of the Programme. Councillor Cory offered assurance to the Committee that each time a capital project was embarked upon, it was supported by

a business case containing principles, outline and costs, before a much more detailed business case was developed which would contain contingency plans in a lot of detail. He did, however, support the suggestion which had been made of an objective benefits analysis of items in the Programme which would assist in determining which projects may take precedence over others, and resolved to consider this further with Councillor King outside this meeting.

The Chair of the Committee reminded it that at its previous meeting, a recommendation had been made to Cabinet that the Capital Project be reviewed in the light of inflationary pressures, however, he now considered that the position had become much more serious. The Council was now facing the problems of significant increases in borrowing costs, significant long-standing inflation, and constraints in supplies of materials and workforce. The Capital Programme needed to be reviewed in the light of those factors, and each project needed to be checked to see whether it was still viable and desirable, given the strategic objectives of the Council and the social benefits it would deliver. The Committee offered its support to this suggestion, and considered that a suitable recommendation should be made to Cabinet.

*RECOMMENDED TO CABINET:* that the viability of every scheme on the Capital Programme be carefully reviewed to determine whether or not it should proceed, or be deferred, in the light of:

- significant increases in borrowing costs,
- significant long standing rates of inflation, and
- the difficulties which were being experienced in obtaining both materials and the skilled workforce necessary to deliver projects,

to ensure that a Capital Programme is delivered which meets the needs of the people of Colchester.

*RESOLVED* that:- (a) Progress on the Capital Programme, together with the budget forecast, as set out in the report had been reviewed, (b) The 'Red, Amber, Green rating for each scheme as rated by the relevant project manager had been reviewed.

### **334. Work Programme**

The Committee considered its draft work programme for 2022-23.

The Committee was advised that an additional meeting date had been scheduled for 7 December, in accordance with its wishes. It was therefore proposed that the financial reports which had been listed in the work programme for the November 2022 meeting be moved to the meeting scheduled for December 2022, together with the outstanding annual statement of accounts should they be ready to be considered.

The Committee expressed its extreme concern that the statement of accounts was still outstanding, and gave some consideration to requesting that the Council's external auditors be invited to the December meeting of the Committee to offer an explanation for the delay. It was not, however, considered that this would provide any new insight into the issues which were faced.

It was noted that the Council's accounts were complicated, and Local Authority Statements of Accounts were very different to those of commercial companies. The Committee requested that a training session be set up to assist Councillors to understand the Council's statement of accounts.

*RESOLVED* that:-

- (a) the work programme for 2022/23 be noted, subject to an amendment that the following items be considered at the November 2022 and December 2022 meetings of the Committee;

22 November 2022

1. Colchester Commercial Holdings Limited – Annual Report
2. Overview of the Council's Procurement Policy
3. Review of the Council's Ethical Governance Policies
4. Annual Review of the Members' Code of Conduct and the Council's Localism Act "Arrangements"
5. Review of Local Code of Corporate Governance
6. Review of Member/Officer Protocol
7. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Employees

7 December 2022

1. Revenue Monitoring Report – July to September 2022/23
2. Capital Monitoring Report – July to September 2022/23
3. Treasury Management – Half Yearly Update

- (b) a training session on Local Authority Treasury Management be scheduled.