

Governance and Audit Committee Meeting

**Grand Jury Room, Town Hall, High Street,
Colchester, CO1 1PJ
Tuesday, 07 March 2023 at 18:00**

The Governance and Audit Committee considers and approves the Council's Statement of Accounts and reviews the Council's annual audit letter. The Committee also deals with the Council's governance, risk management and audit arrangements. To make recommendations to the Council on functions such as Elections and bye laws, and determine Community Governance Reviews.

Information for Members of the Public

Access to information and meetings

You have the right to attend all meetings of the Council, its Committees and Cabinet. You also have the right to see the agenda (the list of items to be discussed at a meeting), which is usually published five working days before the meeting, and minutes once they are published. Dates of the meetings are available here:

<https://colchester.cmis.uk.com/colchester/MeetingCalendar.aspx>.

Most meetings take place in public. This only changes when certain issues, for instance, commercially sensitive information or details concerning an individual are considered. At this point you will be told whether there are any issues to be discussed in private, if so, you will be asked to leave the meeting.

Have Your Say!

The Council welcomes contributions and representations from members of the public at most public meetings. If you would like to speak at a meeting and need to find out more, please refer to the Have Your Say! arrangements here: <http://www.colchester.gov.uk/haveyoursay>.

Audio Recording, Mobile phones and other devices

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Access

There is wheelchair access to the Town Hall from St Runwald Street. There is an induction loop in all the meeting rooms. If you need help with reading or understanding this document please take it to the Library and Community Hub, Colchester Central Library, using the contact details below and we will try to provide a reading service, translation or other formats you may need.

Facilities

Toilets with lift access, if required, are on each floor of the Town Hall. A water dispenser is available on the first floor.

Evacuation Procedures

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Library and Community Hub, Colchester Central Library, 21 Trinity Square,

Governance and Audit Committee - Terms of Reference (but not limited to)

Accounts and Audit

To consider and approve the Council's Statement of Accounts and the Council's financial accounts, and review the Council's external auditor's annual audit letter.

Governance

To consider the findings of the annual review of governance including the effectiveness of the system of internal audit and approve the signing of the Annual Governance Statement.

To have an overview of the Council's control arrangements including risk management and in particular with regard to the annual audit plan and work programme, and to approve the policies contained in the Council's Ethical Governance Framework.

Other regulatory matters

To make recommendations to Council on functions such as elections, the name and status of areas and individuals, and byelaws.

To determine and approve Community Governance Reviews.

Standards in relation to Member Conduct

To consider reports from the Monitoring Officer on the effectiveness of the Members' Code of Conduct, and to advise the Council on the adoption or revision of the Code.

To receive referrals from the Monitoring Officer into allegations of misconduct and to create a Hearings Sub-Committee to hear and determine complaints about Members and Co-opted Members referred to it by the Monitoring Officer.

To conduct hearings on behalf of the Parish and Town Councils and to make recommendation to Parish and Town Councils on improving standards or actions following a finding of a failure by a Parish or Town Councillor.

To inform Council and the Chief Executive of relevant issues arising from the determination of Code of Conduct complaints.

To grant dispensations, and to hear and determine appeals against refusal to grant dispensations by the Monitoring Officer.

To make recommendations to Council regarding the appointment of Independent Persons.

General

To review of the Constitution including governance issues around formal meetings, processes and member training and to make recommendations to Council.

**COLCHESTER CITY COUNCIL
Governance and Audit Committee
Tuesday, 07 March 2023 at 18:00**

The Governance and Audit Committee Members are:

Councillor Paul Smith	Chair
Councillor Chris Pearson	Deputy Chair
Councillor Dave Harris	
Councillor Sam McCarthy	
Councillor Sara Naylor	
Councillor Rhys Smithson	
Councillor Barbara Wood	

The Governance and Audit Committee Substitute Members are:

All members of the Council who are not Cabinet members or members of this Panel.

**AGENDA
THE LIST OF ITEMS TO BE DISCUSSED AT THE MEETING
(Part A - open to the public)**

Please note that Agenda items 1 to 6 are normally dealt with briefly.

1 Welcome and Announcements

The Chairman will welcome members of the public and Councillors and remind everyone to use microphones at all times when they are speaking. The Chairman will also explain action in the event of an emergency, mobile phones switched to silent, audio-recording of the meeting. Councillors who are members of the committee will introduce themselves.

2 Substitutions

Councillors will be asked to say if they are attending on behalf of a Committee member who is absent.

3 Urgent Items

The Chairman will announce if there is any item not on the published agenda which will be considered because it is urgent and will explain the reason for the urgency.

4 Declarations of Interest

Councillors will be asked to say if there are any items on the agenda about which they have a disclosable pecuniary interest, or any other registerable interest or non-registerable interest, which would prevent them from participating in any discussion of the item or participating in any vote upon the item.

5 Minutes of Previous Meeting

The Councillors will be invited to confirm that the minutes of the meeting held on 7 December 2022 are a correct record.

Draft Governance and Audit minutes - 7 December 2022

7 - 14

6 Have Your Say! (Hybrid Council meetings)

Members of the public may make representations to the meeting. This can be made either in person at the meeting, or by joining the meeting remotely and addressing the Council via Zoom. Each representation may be no longer than three minutes. Members of the public wishing to address the Council remotely may register their wish to address the meeting by e-mailing democratic.services@colchester.gov.uk by 12.00 noon on the working day before the meeting date. In addition a written copy of the representation will need to be supplied for use in the event of unforeseen technical difficulties preventing participation at the meeting itself.

There is no requirement to pre-register for those attending the meeting in person.



7 Financial Monitoring Report – April to December 2022

15 - 34

The Committee will consider a report giving it the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets.

8 Capital Monitoring Report Quarter 3 2022/23

35 - 40

The Committee will consider a report setting out the Council's Capital Programme against budget for quarter 3 financial year 2022/23. The Capital Programme includes projects delivering General Fund services, and the HRA Housing Investment Programme. It is a significant programme with a high level of investment benefitting the Borough, contributing towards the local economy, and working towards recovery.

The Committee will consider a report setting out its work programme for the remainder of the municipal year.

Exclusion of the Public (not Scrutiny or Executive)

In accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public, including the press, from the meeting so that any items containing exempt information (for example confidential personal, financial or legal advice), in Part B of this agenda (printed on yellow paper) can be decided. (Exempt information is defined in Section 100I and Schedule 12A of the Local Government Act 1972).

Part B
(not open to the public including the press)

GOVERNANCE AND AUDIT COMMITTEE

07 December 2022

Present:- Councillor Paul Smith (Chair)
Councillor Dave Harris, Councillor Sam McCarthy,
Councillor Sara Naylor, Councillor Chris Pearson,
Councillor Rhys Smithson

Substitutions: Councillor William Sunnucks for Councillor Barbara Wood

Also Present:- Councillor David King*, Councillor Mark Cory*

*attended remotely

344. Financial Monitoring Report – Mid-Year Review 2022/2023

The Committee considered a report giving it the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets, and which provided a further opportunity to assess progress against budget targets and income levels, and any resulting necessary action to mitigate any forecast budget variance will be considered.

Paul Cook, Head of Finance, attended the meeting to introduce the report and assist the Committee with its deliberations. The Officer's report set out the position as at the end of September 2022, and the Committee heard that it had been a particularly difficult year to control expenditure due to increasing inflation. The position presented to the Committee represented a lot of work which services had undertaken to control expenditure, and although the position was a developing one, it was considered that likely overspend was at a level which could be contained through use of the Council's reserves. Some gains had been realised due to investment interest rates which were significantly higher than had originally been budgeted for.

In response to questioning from the Committee, Paul Cook confirmed that the proposed level of reserve usage was acceptable, although not ideal. Very careful consideration would be given to the reserve position when setting the budget for 2023/2024, but the Committee was assured that current reserve usage was not unacceptable, and that much more detail on the position would be provided in budget reports to Cabinet in January 2023 in relation to the budget for 2023/2024.

A Committee member noted that the underspend on the Council's Capital Programme, combined with favourable interest rates on investments had been fortuitous for the Council this year, but sought confirmation that £68m was the right figure to have in short term investments. Paul Cook explained that the underspend

on the Capital Programme had been well documented, and it was accepted that there may be a better method of managing projects within the Programme. Because of the delays to the Capital Programme, the level of investments was higher than may have been expected, but the treasury position would be reset as part of the new Treasury Management Strategy, and it was felt that Officers were very well aware of any current issues, which would be addressed when setting the budget for 2023/2024.

Councillor King, Leader of the Council, attended the meeting remotely, and, with the permission of the Chair, addressed the Committee. He confirmed that the Council's Capital Programme was undergoing a thorough review, and the results of this review were expected in January 2023. The Committee heard that there was a struggle across Council services to manage a situation without precedent including rising energy costs, an interim pay award for staff, and Waste Service and Sports and Leisure Service pressures, which were detailed in the Officer's report. The Council's management team were working extremely hard to manage the situation in the light of these difficulties and additional inflationary pressures.

Councillor Cory, Portfolio Holder for Resources, attended the meeting remotely, and, with the permission of the Chair, addressed the Committee. The review of the Capital Programme had allowed the Council to make more short term investments taking advantage of higher interest rates, however, ongoing costs and inflationary pressures meant that the Council's position remained a very difficult one. Councillor Cory assured the Committee that the Council had a historic record of maintaining the right level of reserves, and making good use of shorter term borrowing to balance the costs of longer term borrowing. The long term impact of staff costs and pay rises, coupled with inflationary pressure and rising energy costs would, however, continue to have a long term effect on the Council and would require very tight budgeting in future years to address these costs.

Commenting on the continued delay in receiving the audited statement of accounts for 2021, a Committee member requested that the draft accounts for 2022 be presented to the Committee, considering that it was essential that sight of the draft accounts was essential to allow the Committee to carry out its governance role.

The Chair reminded the Committee that the problems with local authority accounts were widely known, and it was not just Colchester City Council that was blaming its external auditors for the delay, but also the Local Government Association (LGA), and sadly the Council's auditors had the worst record of all the auditors for local authorities. The Council's auditors, BDO, had been required to write to him by 30 November 2022 to explain the reason for the delay, and had done so on this deadline without giving any indication as to when the work would be completed. It was considered that the draft accounts could be made available to the Committee, possibly as an exempt item, as they were in draft form only.

Councillor Cory assured the Committee that he was very aware of the position with regard to the outstanding statement of accounts, and considered that it was extremely poor that the Council had been placed in this position by the actions of its auditors. He received regular updates from Officers on the situation, and work was

ongoing to ensure that the Council was not placed in this position in the future. Paul Cook confirmed that work with BDO was ongoing, and it was expected that the 2021 statement of accounts could be presented to the January meeting of the Committee with audit opinion, although no reliance should be placed on this date. The Committee was reminded that 2021/2022 outturn had been reported to it earlier on in the municipal year. There were potentially technical issues associated with publishing the draft statement of accounts prior to the completion of the previous year's audit, not least of which would be the commencement of public rights to inspect the accounts. If there were specific issues which the Committee sought clarification on with regard to the 2021/2022 outturn, then these could be dealt with without the need to publish draft accounts.

In discussion, the Committee considered whether the public would indeed have a right to inspect the draft accounts, if these were treated as an item which was exempt from publication when considered by the Committee. The Chair agreed to consult with the Group Spokespersons and the Leader and Deputy Leader of the Council on how best to seek sight of the draft accounts at the next Committee briefing meeting, taking legal advice if necessary.

A Committee member noted that issues with the late submission of audited accounts had been a problem for the past few years, across a number of Council administrations. They considered, however, that there was nothing within the figures that had been presented to the Committee during this period which had caused any concern, although considered that the extreme dissatisfaction of the Committee in relation to the delays was wholly justified.

Clarity was sought by the Committee on the impact which increased inflation actually had on the outturn figures, was this a good or a bad thing? It was noted that although the Council would potentially benefit from favourable rates on long term loans, the higher than anticipated inflation rates placed the Council under particular pressure on account of its high energy usage and staffing costs.

A Committee member commented on the £691,000 forecast overspend in respect of Neighbourhood services for Waste Staff, and queried a statement which the Portfolio Holder had made at Full Council indicating that winter contingency expenditure would be covered by the existing budget; how was this possible given the volume of overspend which had already been recognised? Paul Cook explained that the position would be carefully monitored and would become clearer when the quarter 3 and 4 figures were known, when updates would be provided. Officers were asked to explain the 48% overspend on banking charges, noted in the Officer's report, and Paul Cook agreed to provide a detailed explanation to the Committee after the meeting, together with more information about the possibility of recovering the costs of planning appeals.

Returning to the subject of the 2021/2022 accounts, Councillor Sunnucks, who is named in these minutes at his request, requested that the draft accounts be distributed just to the committee as a confidential item, as these would be far more useful to consider than the management accounts which were presented to the Committee. Clarification was sought on the rules around publishing draft accounts,

and whether or not the Council was in breach of these by failing to publish. Paul Cook confirmed that the primary Regulations were the Accounts and Audit Regulations 2015, which had been amended in 2021 and 2022 delaying the required publication dates. The Council was not in breach of any Regulations, as the Regulations provided that if the Council was not able to publish accounts on time, it simply had to explain the reason for the delay on its website. It was not considered that presenting the draft accounts to the Committee would present a particular problem, however Officer workload and the potential demands of work in relation to the completion of the 2020/2021 accounts meant that the draft accounts would be better presented to the March meeting of the Committee. In discussion, the Committee considered whether it would be better to circulate the draft accounts via email, but it was considered that publication of the document as an exempt item at the next meeting was probably preferable. Paul Cook suggested that it was possible that the draft 2021/2022 accounts could be presented as an open item to the meeting of the Committee in January 2023 as these accounts were substantially complete.

A Committee member sought assurance that the Council's risk management process was responsive and under constant review in the light of potential changes to the financial landscape or issues in the future such as further interest rate rises. The Committee was advised that the Council's Treasury Management Strategy was an important document in terms of managing financial risk which set out risks on interest rates, both on borrowing and investments. The Risk Register would be updated to ensure that current issues were covered.

In response to a question from the Committee, Paul Cook would provide an assurance outside the meeting that the noted underspend on the Housing Revenue Account on services and supplies had not been caused by holding back on delivering essential repairs to tenants.

RESOLVED that:

- The financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first six months of 2022/23, had been considered;
- the forecast budget overspend of £392k on the General Fund be noted.

345. Treasury Management Mid-Year Review

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

Paul Cook, Head of Finance, attended the meeting to introduce the report and assist the Committee with its deliberations. The Committee heard that the Treasury Management Strategy was set ahead of the financial year, and was reviewed three times at key points during the course of the financial year by the Committee. The

Officer's report set out progress on the Council's Capital Expenditure Prudential Indicators, and delays in the Capital Programme meant that capital expenditure and borrowing were well within the limits set in the Strategy.

Following previous discussion in the Committee, the report also contained information in relation to the potential premature redemption of loans and Lender Option Borrower Option (LOBO)'s. The Public Works Loan Board (PWLb) would normally accept early redemption of any loan which had been advanced for over a year and had over a year left to run. The report also contained detail about the LOBO loans which the Council had, which had a long maturity and which were taken out some years ago totalling £5.5m.

There were increased requirements under the Prudential Code which would apply to the Council in 2023/2024. This would require an enhanced Capital Strategy, which would be helped by the current review of the Council's Capital Programme. The reporting frequency on Treasury Management would be increased to four times a year and it was therefore intended to co-ordinate Treasury, Revenue and Capital Monitoring reporting during the year.

In discussion, the Committee wondered whether it would be advantageous to consider requesting repayment of loans in January if this were to prove to be in the Council's favour. Paul Cook confirmed that although this may have been of benefit to the Council in the past, current circumstances were not so favourable, however, this was something which Officers were aware of and would consider at the appropriate time. The Committee considered that an annual review of the position would be helpful.

Following questioning from the Committee, it was confirmed that the level of borrowing which the Council was entitled to make was set by the Treasury Management Strategy, which was reviewed year on year in accordance with predicted levels of necessary borrowing. These predictions were adjusted in accordance with need, however, the Council would never borrow at a greater level than the Strategy allowed during a specific financial year. Borrowing to support capital projects would be subject to specific checks and limitations.

In discussion, the Committee considered the investment for service purposes which it was indicated that the Council had made, or planned to make, in Colchester Amphora Energy and Colchester Amphora Housing, and wondered how much had been allocated for this purpose, and what the terms would be. Paul Cook explained that the advances to the Council's wholly owned companies were set out in the Capital Programme which had previously been considered by the Committee. A Committee member noted that the Council had £4m of investment lodged with Thurrock Council, and sought assurances that this investment was secure and that it was appropriate to invest in other Council's. The Committee received assurance that it was not considered that there was any credit risk associated with lending to any Local Authority. Of the two loans which had been made to Thurrock Council, the first had been repaid already and there was nothing to suggest that the second loan would not be repaid shortly. The Council's lending criteria was set out in its Treasury Management Strategy.

RESOLVED that:

- the Treasury Management Mid-Year Review for 2022/23 be approved;
- the Council's Lender Option Borrower Option loans be reviewed annually to determine whether or not it was in the Council's interest to redeem them.

346. Overview of the Council's Procurement Policy – verbal update

The Committee received a verbal report which provided an update and overview of Colchester City Council's Procurement Policy.

Samantha Preston, Group Manager - Customer, attended the meeting to introduce the report, and assist the Committee in its deliberations. Following a recent internal audit, the Council's procurement system was being reviewed and updated, which was a significant piece of work as the old system was intertwined with many complex documents and procedures within the Council including Contract Procedure Rules and an out of date Procurement Strategy. It was intended to revise the Council's Constitution to increase the efficiency of the procurement process, and to develop a new Procurement and Social Value Strategy alongside this.

It was important to ensure that social value was obtained from contracts wherever possible, although social value was not to be obtained through simply paying more on a contract, but by considering the whole picture to ensure that best value for money was received while helping the local community.

Existing contracts had been reviewed, and the intention was that the Council identified what its social value and priorities would be when considering future contracts. Although the Council did have a system which required tenders with a value of over £100,000 to complete a complicated questionnaire, it was intended to streamline this process for both suppliers and staff. Consideration was also being given to introducing a social value element to the procurement of lower value contracts.

An audit had been carried out reviewing all spend over £45,000 and a number of areas of specific review had been identified including spend categories and expired framework contracts. The centralisation of corporate contracts such as small works, tree works, stationary and cleaning materials was also being considered, and work was ongoing with other local authorities to explore the possibility of joint procurement for such contracts. A new financial management system was being implemented and would go live in late 2023 which would include full category management and an improved supplier process.

A review of all procedures was underway, and a new procurement system was being considered which would integrate with the financial management system and which would include a new formal quote process. A new structure had been implemented which drew together the Council's strategic procurement and purchasing functions, and a full training programme was to be commenced in 2023. It was noted that the

Council's current system of payment authorisation was extremely complex, and it was intended that this be simplified in order to introduce greater clarity of responsibility for Officers by introducing a single clear limit of financial transaction which could be authorised.

The Committee welcomed the work which was being undertaken, and a Committee member noted that procurement represented an opportunity to drive savings as well as delivering value of other kinds, and in the light of this, what alternative operating modes for procurement had been considered? Sam Preston advised the Committee that the Council was open to considering any different operating models as part of the ongoing review, for example working with other local authorities in partnership to explore areas such as pooled resources to increase resilience. A Committee member noted that larger scale procurement was an opportunity to drive greater savings, potentially in partnership with other local authorities or public entities. They sought assurance that this was being considered to ensure that the greatest value was being achieved for the people of Colchester, including social value.

In discussion, clarity was sought on what the Council considered to represent social value in procurement, and the Committee was advised that the Council currently used standard criteria for assessing this, known as the Themes, Outcomes and Measures (TOM) criteria which was used nationally and in the local region. Areas which were considered via TOM included the environment, local employment and how employees of the contractor were paid. What the Council considered to represent social value was currently under consideration, and the views of each service would be sought in relation to this. The Committee welcomed the ongoing work which was being undertaken, and looked forward to receiving an update as new policies were developed in this area. A Committee member considered that thought should be given to striking a balance between recognising entrepreneurial contracts with high social value and centrally controlled contracts.

RESOLVED that:

- the contents of the update be noted,
- the Committee wished to receive a further update as the development of the Council's Procurement Policy progressed

347. Work Programme

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

Matthew Evans, Democratic Services Officer, attended the meeting to introduce the report, and assisted the Committee in its deliberations.

RESOLVED that:- the work programme for the Governance and Audit Committee be amended to read as follows:

17 January 2023

1. CCHL Half-Year Performance Report
2. Annual Review of the Council's Companies' Business Plans

15 February 2023

1. Interim Review of the Annual Governance Statement Action Plan
2. Risk Management Progress Report
3. Mid-Year Internal Audit Assurance Report 2022/2023
4. Annual Review of Business Continuity

7 March 2023

Report of	Chief Operating Officer	Author	Darren Brown 📞 282891
Title	Financial Monitoring Report – April to December 2022		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets. The financial position is summarised as follows:-
- The General Fund is showing a net overspend against services of £689k as at period 9. This includes more expenditure of £697k and more income of £8k, compared to profiled budgets.
 - The current forecast outturn position for the General Fund is a net overspend of £434k.
 - The Housing Revenue Account is showing a net overspend of £82k as at period 9 and is forecast to be on budget at the year-end.
- 1.2 Assistant Directors and their budget holders have undertaken a thorough review of the financial position for their services, which is reflected in this report. In addition, SMT continues to monitor the budget position on a monthly basis. The final end of year position will be reported for scrutiny purposes and the impact of this on balances will be considered by Cabinet as part of the budget strategy for 2024/25.

2. Action required

- 2.1 The Committee is asked to consider the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first nine months of 2022/23, and to note the forecast budget overspend of £434k on the General Fund.

3. Reason for scrutiny

- 3.1 Monitoring of financial performance is important to ensure that:
- Service expenditure remains within cash-limited budgets.
 - Potential variances at year-end are identified early so that remedial action can be taken to recover the position or 'recycle' any surplus budgets.
 - Performance targets are being met.
- 3.2 This report also gives the committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets.

4. Background

- 4.1 This report reviews the Council's overall position based on profiled income and expenditure for the nine months to 31 December 2022, and also shows a projection of the outturn figures for the full year. All the information presented in respect of General Fund Services shows the position based on net 'direct costs'. The review of the Housing Revenue Account is different in that it shows all costs, both direct and indirect.

Summary Position

- 4.2 The projected outturn for the General Fund is currently a net overspend of £434k. The Housing Revenue Account forecast outturn position is currently to be on budget.
- 4.3 The General Fund position is set out in more detail in the following paragraphs and the HRA position explained in paragraphs 4.17 to 4.21. Budgets carried forward from 21/22 are now included in the schedules within this report, and as such will be monitored as part of the overall position

General Fund – Position to 31 December 2022

Service Budgets

- 4.4 Appendix A shows the current budget variances and forecast outturn variances by Service Group. The net position shows a variance against profiled budget for General Fund Services (excluding Benefits, NEPP & JMC) of £689k (adverse). This comprises total expenditure being £697k higher than expected and total income being £8k higher than expected. Appendix B breaks these variances down by subjective group.

Income

- 4.5 Income to the Council is below targets in a number of areas to date, but most notably in Planning and Neighbourhood services. However, income levels are above profiled budgets most significantly within Commercial & Investment, Sport & Leisure and Parking.

Expenditure

- 4.6 There are overspends against profiled budgets in a number of services areas, predominantly within employees and supplies and services costs, which are mainly offset by underspends within third party payments. These can be as a result of profiling of budgets as well as timing of expenditure.
- 4.7 Benefits payments are not shown in Appendix A & B to avoid distorting the reported position for Service Groups. It is currently projected that this area will be on underspent by £150k at year end, when the final subsidy claim is paid. Furthermore, NEPP and JMC variances are not included in the Appendix A & B totals, given these areas are ring-fenced and are reported to the relevant joint committee.

Outturn Forecast / Risk Areas

- 4.8 This is the third formal review this year of the 2022/23 budget position, and the current forecast outturn is a net overspend of £434k.

	£'000	
Service budgets	884	See paras. 4.9, 4.10 and Appendix D
Technical / Corporate Items	(450)	
Potential net overspend	434	

Service Budgets

4.9 The following table sets out the forecast outturn for all service areas, with outturn variances. This shows a net forecast overspend of £884k. As the table shows, this is mainly due to additional expenditure of £661k. The largest areas contributing to the net forecast position are;

- Neighbourhood Services: £50k Vacancy factor pressure, £740k overspend on staff costs (predominantly agency staff in Waste), £159k cost pressure on Fuel, £180k pressure in Recycling Materials (boxes/sacks). £91k less income from sales of paper and £261k savings on associated contractor costs. £124k less income from recycling credits and £109k less income from Market & Street Trading. Parking income is forecast to be £182k more than the budget.
- Place & Client: £120k planning appeals cost pressure, £140k saving due to removal of local design code carry forward, £359k less planning income, £191k Corporate Asset Mgt pressure including Health & Safety works, lift repairs and Town Hall works, £150k more income due to prior year adjustments on 2 variable income commercial lease rents. Sport & Leisure is overspending by £492k primarily due to higher inflation, NNDR saving now not deliverable, Energy and Employee costs, which are partially offset by £251k more income. Housing is underspending by a net £685k, which reflects the removal of the £521k New Homes Bonus affordable housing allocation, and the additional use of £150k of Government grant in the year.
- Corporate & Improvement: £129k Shared services saving not being achieved, £99k net underspend on employee costs including the vacancy factor not being achieved in some areas, £48k overspend in ICT, extra costs resulting from payroll system re-tender and £77k less travel plan parking income.
- C&DC: £63k additional costs relating to increase in banking transactions
- EMT: £120k underspend forecast due to vacant posts and consultancy spend.
- £1,000k gain from interest payable/earned. The interest earned on cash investments has risen from 0% during periods of 2021/22 to 4%+ currently available for 3 to 6 month deposits. With Monetary Policy Committee meetings in February and probably March, the Bank of England predicts base rates to rise by a further 1%. This may lead to further gains in the interest budget.
- £150k gain from recovery of Housing Benefit overpayments.
- £700k cost pressure as reported to Cabinet on 25th January 2023 relating to the pay award for the current financial year

Service	Forecast outturn		
	<i>Expenditure</i>	<i>Income</i>	<i>Net</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Corporate & Improvement (incl. CDC)	32	216	248
EMT	(120)	-	(120)
Community	(100)	(12)	(112)
Customer	(116)	45	(71)
Environment	956	136	1,092
Place & Client	9	(162)	(153)
Total all services	661	223	884

Appendix C

4.10 Appendix C shows the original Council budget, the outturn forecast and variance. The purpose of this table is to bring together the overall revenue budget and show the impact of Government funding and the required use of reserves. Any use of reserves in 2022/23 to address unplanned overspends will limit budgeting options for 2024/25 and future years.

Corporate / Technical Items

- 4.11 The budget includes a number of corporate and technical budget areas such as net interest earnings, the provision to repay debt, pension costs and some non-service specific grants. It is currently forecast that there will be a saving on interest payable/earned of £1,000k as we haven't needed to borrow as planned given our higher cash balances and thus the ability to internally borrow, coupled with less borrowing than assumed in the budget due to slippage on the capital programme. In addition, we are achieving higher interest rates on our investments given the national rise in rates.
- 4.12 The budget includes an amount for the recovery of housing benefit overpayments, which is where claimants have been overpaid and we recover the money. We are forecasting £150k more income to be recovered than estimated in the budget.
- 4.13 As reported to Cabinet on 25th January 2023, the pay award for the current financial year has been reviewed, and the National Joint Council (NJC) increase of £1,925 has been applied to spinal columns points 4 to 32 from at April 2022, at an additional cost of £700k. This is being shown in this report as a corporate item, but will be reflected in individual service forecasts once the backdated pay has been processed in the payroll system in January (quarter 4).
- 4.14 Appendix D sets out details of all forecast variances against service budgets at the year-end totalling £884k. To provide some context on the scale of the variances shown in Appendix D, a percentage value has been included within the comments which shows the proportion of the relevant budget that it represents. For example, an underspend due to vacant posts or the vacancy factor would be expressed as a proportion of the total employees budget for that area.

Summary position and action proposed

- 4.15 The forecast outturn shows a potential net overspend of £434k. Further more detailed work will continue to be undertaken during Quarter 4 to ensure forecast outturn positions are robust.
- 4.16 Assistant Directors and their budget holders have undertaken a thorough review of the financial position for their services, which is reflected in this report. In addition, the Senior Management Team continues to monitor the budget position on a monthly basis. The final end of year position will be reported for scrutiny purposes and the impact of this on reserves will be considered by Cabinet as part of the budget strategy for 2024/25.

Housing Revenue Account

- 4.17 The Housing Revenue Account (HRA) set out in Appendix E is a ring-fenced account which is affected by a number of variable factors. At the end of December 2022, the HRA is showing a net underspend of £10k compared to the profiled budget for the same period. This is primarily due to higher expenditure on Premises costs of £17k and lower expenditure on Supplies and Services of £134k compared to the profiled budgets, and £116k less income than budgeted.

Position to date

- 4.18 Premises related costs are showing an overspend of £17k as at the end of December 2022. Overall, there is a net overspend of £109k on Repairs and Maintenance, which primarily relates to the timing of expenditure on repairs and maintenance of pumping stations, Homeless Persons Units and other delegated areas. There is an overspend of £19k on Council Tax on empty properties, which are partially offset by underspends of £66k on Grounds Maintenance budgets and £38k on Utility and Water costs which relate to the timing of expenditure.

- 4.19 Supplies & Services costs are underspent by £134k at the end of December. There is a general underspend across most budget headings which primarily relate to the timing of expenditure, the main areas being £60k of IT costs and £161k relating to the project to implement our new housing management system, which are partially offset by overspends £72k on legal costs and £37k on subscriptions costs.
- 4.20 We have received £116k less income at the end of December 2022. This primarily reflects the net impact of rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the level of Right to Buy sales, along with the timing of acquisitions and additions to our housing stock.

Forecast Outturn

- 4.21 The HRA is currently forecast to be on budget at the year-end. Any underspend or overspend that occurs in the year will be used to fund a greater/lesser proportion of our Housing Capital Programme through a variation to the Revenue Contribution to Capital.

5. Standard References

- 5.1 Having considered consultation, publicity, equality, diversity and human rights, community safety, and health and safety implications, there are none that are significant to the matters in this report.

6. Strategic Plan References

- 6.1. The priorities within the Strategic Plan are reflected in the Medium-Term Financial Forecast, which makes assumptions regarding government grant/funding and Council Tax income and identifies where necessary savings will be found in order to achieve a balanced budget. The 2022/23 revenue budget was prepared in accordance with the Strategic Plan's priorities, in the context of the Council facing growing financial pressures. Budget monitoring enables the financial performance against these priorities to be assessed.

7. Financial Implications

- 7.1. As set out above.

8. Environmental and Climate Change Implications

- 8.1. All budget measures will be assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's post-Covid recovery planning.

9. Risk Management Implications

- 9.1. Risk management is used throughout the budget cycle, and this is reflected in the strategic risk register. The 2022/23 revenue budget report that was approved by Council in February 2022 took into consideration a number of potentially significant risk areas that had been identified during the budget process. In addition, Assistant Directors identify a number of both positive and negative risk areas during the year.
- 9.3 Extensive modelling work has been undertaken to understand the impacts and variables arising from the pandemic, along with the challenging economic climate.
- 9.4 Leisure, parking and commercial income are very dependent on factors beyond the Council's control following the pandemic, including the return of consumer confidence, customer behaviours and the pace of recovery.

- 9.5 Modelling has been undertaken with service managers to assess the potential range of impacts before adopting the assumptions reflected within the report.
- 9.6 All the above and other significant uncertainties and risks will have to be managed. Further material change is likely to budget assumptions and the actions needed to ensure a balanced budget.

Background Papers

None

Period 9 – Current Budget Variances and Forecast Outturn Variances by Service Area

	Area	Position to date			Forecast Outturn		
		Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
	Corporate & Democratic Core	(105)	(63)	(168)	64	-	64
	Total	(105)	(63)	(168)	64	-	64
	Executive Management Team						
	EMT	(94)	-	(94)	(120)	-	(120)
	Total	(94)	-	(94)	(120)	-	(120)
	Community						
	Assistant Director Communities	-	-	-	-	-	-
	Licensing & Food Safety	(15)	64	49	(31)	36	5
	Community Safety	(4)	(7)	(11)	(1)	(63)	(64)
	Environmental Health Services	(25)	-	(25)	(18)	5	(13)
	Building Control	33	73	106	38	-	38
	Community Initiatives	(76)	(5)	(81)	(46)	(31)	(77)
	Private Sector Housing	(44)	75	31	(63)	83	20
	Bereavement Services	(23)	7	(16)	34	(58)	(24)
	Cultural Services	(16)	14	(2)	(13)	16	3
	Colchester Museums	(7)	(13)	(20)	-	-	-
	Subtotal	(177)	208	31	(100)	(12)	(112)
	Colchester & Ipswich Museums	64	(64)	-	143	(4)	139
	Total	(113)	144	31	43	(16)	27
	Customer						
	Assistant Director Customers	-	-	-	(1)	-	(1)
	Accounts & Debt	18	(4)	14	41	(6)	35
	Local Taxation & Business Rates	40	(50)	(10)	17	(88)	(71)
	Benefits & Hub	(59)	23	(36)	(15)	57	42
	Contact & Support Centre	46	5	51	7	-	7
	Electoral Services	5	1	6	28	1	29
	Customer Digital & Systems	(167)	-	(167)	(195)	-	(195)
	Land Charges	1	41	42	2	81	83
	Subtotal	(116)	16	(100)	(116)	45	(71)
	Benefits - Payments & Subsidy	1,114	1,627	2,741	-	(150)	(150)
	Total	998	1,643	2,641	(116)	(105)	(221)
	Environment						
	Assistant Director Environment	(7)	-	(7)	(17)	-	(17)
	Neighbourhood Services	451	330	781	913	318	1,231
	Car Parking	13	(182)	(169)	60	(182)	(122)
	Subtotal	457	148	605	956	136	1,092

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
	Parking Partnership (NEPP)	347	604	951	384	28	412
	Total	804	752	1,556	1,340	164	1,504
	Place & Client						
	Assistant Director Place & Client	-	-	-	(11)	-	(11)
	Place Strategy	104	(115)	(11)	(37)	-	(37)
	Housing	89	(169)	(80)	(535)	(150)	(685)
	Planning	123	359	482	(15)	359	344
	Sustainability & Climate Change	(7)	(1)	(8)	(54)	-	(54)
	Subtotal	309	74	383	(652)	209	(443)
	<i>Company Related:-</i>						
	Client – Commercial Company	-	-	-	-	-	-
	Corporate Asset Management	119	54	173	161	30	191
	Commercial & Investment	38	(372)	(334)	8	(150)	(142)
	Sport & Leisure	123	(267)	(144)	492	(251)	241
	Total	589	(511)	78	9	(162)	(153)
	Corporate & Improvement						
	Assistant Director Corporate & Improvement	(43)	96	53	(35)	129	94
	Finance	(44)	4	(40)	(105)	-	(105)
	ICT	118	34	152	38	10	48
	People and Performance	(19)	52	33	(5)	77	72
	Governance	131	8	139	76	-	76
	Communications	-	-	-	(1)	-	(1)
	Total	143	194	337	(32)	216	184
	Total (excl. Benefits, NEPP & JMC)	697	(8)	689	661	223	884
	Total (all)	2,222	2,159	4,381	1,188	97	1,285

Current Budget Variances and Forecast Outturn Variances by Subjective Group

		Position to date			Forecast Outturn		
		Actual	Budget	Variance	Actual	Budget	Variance
	Subjective	£'000	£'000	£'000	£'000	£'000	£'000
	Expenditure						
	Employees	19,374	18,924	450	26,076	25,707	369
	Premises Related	5,911	5,896	15	8,357	7,884	473
	Transport Related	1,315	1,377	(62)	1,999	1,963	36
	Supplies & Services	6,529	6,032	497	9,472	9,399	73
	Third Party Payments	4,011	4,274	(263)	5,029	5,319	(290)
	Transfer Payments	416	356	60	475	475	0
	Capital Financing Costs	0	0	0	110	110	0
	Total	37,556	36,859	697	51,518	50,857	661
	Income						
	Government Grant	(500)	(499)	(1)	(628)	(535)	(93)
	Other Grants & Reimbursements	(2,546)	(2,523)	(23)	(3,846)	(3,853)	7
	Customer & Client Receipts	(17,320)	(17,282)	(38)	(22,388)	(22,697)	309
	Income-Interest	(132)	(186)	54	(248)	(248)	0
	Inter Account Transfers	0	0	0	0	0	0
	Total	(20,498)	(20,490)	(8)	(27,110)	(27,333)	223
	Net	17,058	16,369	689	24,408	23,524	884

Summary showing Overall Council budget and latest forecasts.

	2022/23 Original Budget	2022/23 – P9 Forecast	2022/23 – P9 Forecast Variance
	£'000	£'000	£'000
Base Budget	25,028	25,028	0
One-off items	(3,281)	(3,281)	0
Cost Pressures	2,035	2,035	0
Growth Items	134	134	0
Savings	(2,045)	(2,045)	0
Change in use of NHB for one off investment	4	4	0
2021/22 Forecast Outturn		434	434
Forecast Base Budget	21,875	22,309	434
<i>Funded By:</i>			
Business Rates Baseline	(4,343)	(4,343)	0
SFA	(4,343)	(4,343)	0
Increase in NNDR / taxbase above baseline	(1,870)	(1,870)	0
Business Rates Pooling	(200)	(200)	0
New Homes Bonus	(1,954)	(1,954)	0
Lower Tier Government Grant	(198)	(198)	0
Other Government Grant	(298)	(298)	0
Total Gov't grants & business rates	(8,863)	(8,863)	0
Council Tax	(13,300)	(13,300)	0
Collection Fund Deficit / (Surplus)	(372)	(372)	0
Business Rates Deficit / (surplus)	5,280	5,280	0
Contribution to / (Use of Reserves)	(4,098)	(4,098)	0
Use of Reserves for Covid-19 - 19/20 C/Fwds	(522)	(956)	(434)
Use of Reserves for Covid-19 - Unringfenced Grants	0	0	0
Use of Reserves for Covid-19 – Repairs & Renewals	0	0	0
Total Funding	(21,875)	(22,309)	(434)
Forecast Overspend / (Underspend)	0	0	0

Forecast Outturn Variances

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
EMT				
Executive Management Team	(120)	-	(120)	Forecast underspend due to vacant posts (14%) and consultancy underspend (16%).
Community				
Licensing and Food Safety	(31)	36	5	Employees forecast underspend of £39k (6%) due to a vacant post, savings on training and a grant fund contribution (COMF). Overspend of £8k on Vet fees for interim Zoo inspections is being fully recovered from the Zoo. Net income shortfall of £36k (6%) in Licensing, mainly PH vehicle licenses shortfall, advice fee income to new businesses shortfall, offset by Premises licences additional income.
Community Safety	(1)	(63)	(64)	Review of Community Safety balances and grant no longer required.
Environmental Health Services	(18)	5	(13)	Savings of £15k (3%) on salaries due to a vacant post, small underspend on mileage claims and consultancy fees. Income shortfall of £5k (7%) in stray dogs boarding and search fees.
Building Control	38	-	38	Forecasting salaries underspend of £78k (21%) due to several vacant posts. This is being offset by retention bonus payments of £14k (100%) and agency staff costs of £88k (100%). Further £15k (155%) overspend on outsourcing surveying services.
Community Initiatives	(46)	(31)	(77)	Forecast £62k (4%) underspend on staff and other general services due to external grant utilisation. Estimated £16k (100%) spend with no budget on Stanway Community Centre utilities and running costs before transferring to Parish Council.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				£31k grant income gain from claiming management costs of service.
Private Sector Housing	(63)	83	20	Forecasting £65k (13%) salaries underspend due to a PSH Officer vacant post and temporary reduction of officer's working hours. Work underway to appoint a less qualified role to assist recruitment that will increase income. £2k overspend in Healthy Homes for access to work equipment. £83k (40%) income shortfall mainly in civil penalties, redress scheme and electrical safety enforcement fees. Small gain in Healthy homes for internal re-charge.
Bereavement Services	34	(58)	(24)	Forecasting £19k (35%) overspend on music services (incl. web cast and recording), this is offset by an income derived from these services, currently forecasting £25k (97%) above income target. Estimated £38k (72%) more spend on energy due to rising prices. £17k (5%) saving on grounds maintenance costs. £3k (14%) net underspend on Assisted funerals, currently low demand but seeing a steady increase so underspend is unlikely to be sustained. £74k (5%) more income on cremations & other (partly due to Weeley crematorium being shut for 6 months but has now reopened). This is offset by £12k (5%) shortfall on burials.
Cultural Services	(13)	16	3	Small underspend on casual staff costs. £9k (90%) underspend on agency work, this is offset by the shortfall of £9.6k (89%) in ticket income. Income shortfall of £4k (60%) from Guided Tours and £3k (39%) from advertising.
Colchester and Ipswich Museums (CIMS)	143	(4)	139	CIMS is a ring-fenced budget. Forecast underspend of £26k (1%) on staff costs. £88k (130%) gain on rebate received for rates. £211k (53%) overspend across supplies and services. This is due to planned spend of CIMS reserves for products and services from

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				last year plus current year spend (AV repair and replacement, platform lift, exhibitions, fire alarm upgrade). Small gain in grant income– funder's review.
Customer				
Assistant Director Customer	(1)	-	(1)	Small underspend on employee costs.
Accounts & Debt	41	(6)	35	Overspends on employee costs within Procurement £37k (36%) and the Income and Corporate Debt team (due to pension strain costs of £21k (4%)) and Purchasing and Control £1k (1%) along with an overspend on printing costs of £4k (175%). These are partially offset by underspends on training £10k (55%), software licenses £6.5k (22%), IT equipment £4k (80%), central stationery £2k (50%). The income forecast variance relates to unbudgeted court fees recovered (100%).
Local Taxation & Business Rates	17	(88)	(71)	An overspend in Council Tax due to pension strain costs of £26k (10%) offset by an underspend on NNDR employee costs of £9k (7%) The income forecast variance relates to court fees recovered £51k (16%) and grant income of £37k (100%).
Benefits & Hub	(15)	57	42	Forecast underspends on IT costs in Technical Services (£18k) (16%) and The Community Hub (£6k) (100%) and offset by overspends on employee costs of £6k across the teams. The income variance relates to a shortfall in New Burdens income of £65k (35%) partially offset by £8k unbudgeted funding to support the Essex Household support grant work.
Contact Support Centre	7	-	7	An overspend on employee costs (0.67%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Electoral Services	28	1	29	The majority of the forecast overspend relates to the in-year unscheduled by-elections costs amounting to £22k. Also, overspends within the Electoral Services team on employee costs of £4k (4%), mobile phones £1k (100%) and software licences £1k (4%). Electoral Registration forecasts £1k less income on sales of the Electoral Register (25%).
Customer Digital & Systems	(195)	-	(195)	£64k salary savings in the Project Team due to vacancies (25.63%) and £40k savings on licence implementation costs (28.24%). £91k underspends in the Web and Development Team following merger of teams into corporate ICT are offset by one off consultancy and spend in ICT budgets (within Corporate and Improvement) to support critical applications and deliver new corporate infrastructure.
Land Charges	2	81	83	An overspend on software licences (8.77%) and shortfall on income (28.43%).
Benefits – Payments & Subsidy	-	(150)	(150)	Forecasting £150k additional income for the collection of Housing Benefit cash overpayments.
Environment				
Assistant Director Environment	(17)	-	(17)	Employee underspends (12.4%).
Neighbourhood Services	913	318	1,231	£50k employee overspends are forecast due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies and a £740k employee overspend is forecast to maintain key services in line with increased demand (20.21%). Due to prices reaching record highs a £159k overspend is forecast on fuel (23.7%). The recycling bags purchased for the annual delivery exceeded budget due to increased material costs and a £180k overspend is

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				forecast for recycling kit which will be monitored against demand throughout the year (78.02%). Following global market fluctuations £91k less income derived from the sale of paper (13.49%) and £261k savings on associated contractor costs are forecast (31.3%). Recycling credits are forecast to be £124k (6.1%) less than the budget, and a further £109k shortfall of income is forecast on Market & Street Trading (60.24%).
Car Parking	60	(182)	(122)	Overspends on repairs and maintenance of £29k (58%), parking transaction/income charges £25k (50%), electricity £13k (21%), security £4k (40%) and insurance £1k (10%) offset by an underspend on NNDR costs of £11k (1%) and telephones £1k (31%). Parking income collectively is forecast to be £182k (6%) more than the budget.
North Essex Parking Partnership (NEPP)	384	28	412	NEPP will be 'on budget' after any shortfall variance is drawn in a planned way from the Parking Reserve.
Place & Client				
Assistant Director Place & Client	(11)	-	(11)	A small variance is forecast on employee costs due to the PA vacant post (7.6%).
Place Strategy	(37)	-	(37)	Forecast underspend across employee costs due to vacant posts (4.6%) and small underspend across general spend (0.5%).
Housing	(535)	(150)	(685)	Forecast underspend across employee costs due to vacant posts (9%). Removal of £521k NHB Affordable Housing allocation and carry forward as not needed this year (100%), and additional use of £150k grant income in year.
Planning	(15)	359	344	Removal of £140k Local Design Code carry forward offsetting overspends forecast mainly due to £120k planning appeals cost

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				(100%), staff transport costs (50%), publicity costs (7%) and IT software and subscription costs (21%). Planning fees income forecast is £359k less than full year budget, this has been profiled based on the previous 3 years income trend variance (26%). This will be reviewed every month.
Sustainability & Climate Change	(54)	-	(54)	Forecast underspend on employee costs due to vacant manager post (23%).
Corporate Asset Management	161	30	191	The forecast overspend has increased since last quarter with an overspend likely relating to unplanned works of c£50k on three council lifts, £22k urgent safety repairs to the Town Hall exterior walkway and roof, c£35k investigations into the Moot Hall ceiling damage as well as some pressures on other sites including Natural History Museum £6k, St. Marys Arts Centre £5k and some remaining clearance costs on Rowan House. NNDR relief is being sought to help offset these Rowan House costs whilst this site is closed for refurbishment works.
Commercial & Investment	8	(150)	(142)	Commercial properties have identified a small cost pressure due to a water leak on a North Colchester site c£8k. Income is forecast to be £150k (20.23%) higher than the budget due to two variable income Commercial lease rents 21/22 final figures coming in higher than expected.
Sport and Leisure	492	(251)	241	Expenditure pressures have been forecast on many supplies of £235k (28.7%), mainly due to inflation, and includes final costs around Pool View going live c£50k. The increase on premises costs is due to NNDR £140k (37%) and the forecasts for energy includes c£155k (25%) to the predicted outturn (Electricity £45k and Gas £108k). Employee costs are now forecast to exceed budget by £25k (1%)

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				An overall income improvement of £251k (4.8%) is forecast at this stage of the year, and this is predominantly on Pools, Wet Side courses and secondary spend. Income figures are not yet reflecting any reduction due to the economic downturn.
Corporate & Improvement (incl. CDC)				
Corporate & Democratic Core	64	-	64	Forecast overspend on banking transaction charges (48%) and subscriptions (11%).
Assistant Director Corporate and Improvement	(35)	129	94	Assistant Director salary underspend due to restructure (40%). Delays to commencing projects to explore shared services mean the associated saving target will not be met (100%).
Finance	(105)	-	(105)	Underspends across salaries due to vacant posts while they are being appointed to (10%). £25k carry forward for system enhancements not needed this year.
ICT	38	10	48	Overspend forecast for one off consultancy and spend to support critical applications and deliver new corporate infrastructure (100%) offset by the underspends due to vacant posts (5%), under across Web and Development Team in Customer Services and one off saving on Microsoft payments due to timings (14%).
People & Performance	(5)	77	72	Overspend forecast on employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies, temporary staff changes (5%) and due to the re-tender of the payroll system (87%) offset by removal of transformation funded Organisation Design Specialist budget of £49k, shared payroll service saving (25%) and staff travel plan (46%). Less income forecast from staff car parking due to home working while Rowan House is closed (89%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Governance	76	-	76	Overspend forecast on employee costs due to agency fees to cover vacant posts and maternity cover (100%) and Hallkeeper casual costs due to external events and greater numbers of meetings (140%).
Communications	(1)	-	(1)	Small variance across employee budgets (0.10%).

December 2022	Current Period - December 2022			Forecast Year-End Position		
	Profiled Budget to Period 9 £'000	Actual to Period 9 £'000	Variance (under) / over £'000	Annual Budget £'000	Projected Outturn £'000	Variance (under) / over £'000
Account Description						
HRA - Direct & Non-Direct						
EXPENDITURE						
Employees	187	189	2	249	249	-
Premises Related	5,701	5,718	17	7,508	7,508	-
Transport Related	-	-	-	1	1	-
Supplies & Services	865	731	(134)	1,403	1,403	-
Third Party Payments	3,403	3,392	(11)	4,087	4,359	272
Transfer Payments	96	96	-	128	128	-
Support Services	2,577	2,577	-	3,420	3,420	-
Capital Financing Costs	-	-	-	15,400	15,062	(338)
TOTAL EXPENDITURE	12,829	12,703	(126)	32,196	32,130	(66)
INCOME						
Other Grants & Reimbursements	-	-	-	(139)	(139)	-
Customer & Client Receipts	(24,149)	(24,034)	115	(31,669)	(31,603)	66
Income-Interest	(1)	-	1	(12)	(12)	-
Inter Account Transfers	(41)	(41)	-	(58)	(58)	-
TOTAL INCOME	(24,191)	(24,075)	116	(31,878)	(31,812)	66
TOTAL NET - HRA	(11,362)	(11,372)	(10)	318	318	-

7 March 2023

Report of Chief Operating Officer

Author
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☎ 505861
Jo Porter

Title Capital Monitoring Report Quarter 3 2022/23

Wards affected Not applicable

1 Executive Summary

- 1.1 This report sets out the Council's Capital Programme against budget for quarter 3 financial year 2022/23. The Capital Programme includes projects delivering General Fund services, and the HRA Housing Investment Programme. It is a significant programme with a high level of investment benefitting the Borough, contributing towards the local economy, and working towards recovery.
- 1.2 In line with the Council's Financial Regulations a review of the schemes included in the capital programme is required on a quarterly basis.

2 Action Required

- 2.1 To review the progress on the Capital Programme as set out in this report, the associated spend for the first three quarters of 2022/23 and the budget forecasts for future years. To review the RAG rating for each scheme as rated by the relevant project manager.

3 Reason for Report

- 3.1 This report gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets and the project delivery progress and outcomes.
- 3.2 The purpose of the report is to ensure:
 - Spending on projects is within the agreed budgets,
 - Budgets are sufficient to enable timely project delivery and support the related service objectives.
 - The Council makes good use of its available capital resources, in accord with the Council's Treasury Management Strategy and associated statutory requirements.
 - Members have assurance that the key risks associated with the Capital Programme are being managed to ensure efficient and effective delivery of the programme.

4 Background Information

- 4.1 The Capital Programme was reset for 2022/23 and later years as part of setting the 2022/23 Budget. This report includes new schemes agreed in budget setting and presents expenditure as at quarter 3 of this programme.
- 4.2 It should be noted that the Capital Programme mainly consists of schemes where spending is planned across several years. Financial variances can occur as a result of:
 - Reprofile of scheme budgets into the following financial year to reflect scheme progress on site,
 - Changes in timing of payments,

- Additional budget requirements due to changes in schemes or unforeseen costs.

4.3 The Local Government Association Corporate Peer Challenge has recommended the Council improves its planning and ensures there is the appropriate strategic finance capacity and resource to progress capital projects.

4.4 In response to these findings a Review of the Capital Programme commenced in November and is now nearing completion. This review will bring about improvements to:- planning, prioritisation, management, oversight and delivery of all capital projects and programmes. This review has also noted the points raised and recommendation to Cabinet from the last Governance and Audit Committee meeting. The review will also include recommendations to improve our approach to monitoring and reporting of the projects and programmes we deliver. Changes introduced from Quarter 4 of 2022/23 and onwards, but interim findings, where practical are already being implemented, including the recruitment of additional project and financial capacity. This report continues the established format pending the results of the review.

5 Quarterly Capital Monitoring Position

5.1 The table below provides a summary of the capital programme by programme

	Opening Programme £000's	Expenditure in 2022/23 £000's	Forecast Spend in 2022/23 £000's	Future Years Forecast Spend £000's
Communities	13,552	1,697	4,288	9,264
Corporate & Improvement	52,113	3,479	5,392	46,721
Environment	2,869	1,012	1,749	1,120
Place & Client	36,845	1,536	12,154	24,691
Other Projects	892	423	681	211
Housing Revenue Account	61,785	18,197	39,800	21,985
Total Capital Programme	168,056	26,343	64,064	103,992

5.2 Capital expenditure in quarter 3 was £26.3m against a forecast programme of £64.1m. This represents 41% of the forecast spend. At a similar stage in 2021/22 capital expenditure was £23.4m and 38% of the budget. Low spending in the capital programme is partly due to the impact of Covid causing construction delays followed by large volumes of work coming to market during recovery. The Capital Programme has been adjusted to reflect additional funding received in year.

Project Name	£000's	
E Cargo	157	Air quality grant for e cargo bikes
Stanway Community Centre	30	Contribution from the parish council for additional works

Rowan House	40	COMF contribution for Rowan House
Light Fleet replacement	20	Keep Britain Tidy grant
Disabled Facility Grant	1,452	Grant funding
Rowan House Refurbishment	205	Contribution from Essex County Council and Colchester Borough Homes
Lorkin Daniell Playing field	11	S106 funding for projects delivered externally
West End Bowls Club	15	
Great Tey Playing field	79	
Prior St Mosque	6	
Gilberd School floodlights	87	
All Saints Church	175	
North Station footbridge	10	

5.3 The actual expenditure for the year and updated commentary from the budget holders is detailed in Appendix A.

5.4 The RAG status is currently being reviewed as part of the Peer Challenge Capital Review. The objective is to provide meaningful analysis of a project by time, cost and delivery scope. It is noted that the comments from last cabinet paper was Councillors would like to see a percentage given rather than a RAG status and this is currently being worked on.

6 Strategic Plan references

6.1 The Council's Capital Programme is aligned to the Strategic Plan.

7 Financial Implications

7.1 Within the details of this report.

8 Risk Management Implications

8.1 Risk management issues are considered as part of individual capital projects.

9 Consultation

9.1 The Capital Programme is part of annual budget setting is subject to the normal budget consultation.

10 Environmental and Climate Change Implications

10.1 All projects are assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's recovery planning and a core theme of the new Strategic Plan.

11 Equality and Diversity Implications

- 11.1 Consideration will be given to equality and diversity issues in respect of the Capital Programme as part of the budget process. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

12 Other Standard References

- 12.1 There are no direct Publicity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Background Papers – Resetting the Capital Programme, Cabinet, 26^h January 2022

Project Name	Opening Programme	Expenditure to Date for 2022/23	Remaining Balance	Forecast Spend in 2022/23	Forecast Spend in 2023 and beyond	Overall RAG Status
Private Sector Renewals - Loans and Grants	286	0	286	75	211	Amber
Sustainable warmth - Decent Homes	690	37	653	690	0	Amber
Mandatory Disabled Facilities Grants	8,123	493	7,630	1,393	6,730	Amber
Stanway Community Centre	995	1,053	(58)	1,100	(105)	Amber
Stanway Toucan crossing	200	0	200	0	200	Amber
Mill Road Rugby Club	1,821	10	1,811	250	1,571	Amber
All Saints Church, S106	174	174	0	174	0	Green
St Nicholas Square	1,156	34	1,122	500	656	Red
Mercury Theatre Redevelopment Phase 2	106	(105)	211	106	0	Amber
Communities	13,552	1,697	11,855	4,288	9,264	
Shrub End Depot	1,114	118	996	343	771	Green
Light Fleet Replacement	681	204	478	400	281	Green
Fleet Upgrade Caged Tipplers	538	538	0	538	0	Green
Castle Park Cricket Pavilion Extension S106	106	117	(11)	106	(0)	Amber
Garrison Gym Playground	306	0	306	306	0	Green
Vineyard Car Park Lift Replacement	125	36	88	57	68	Green
Environment	2,869	1,012	1,857	1,749	1,120	
Grants to Registered Providers (1-4-1 RTB Receipts Funded)	447	0	447	0	447	Green
Lending to new Council Housing Company	26,700	0	26,700	0	26,700	Amber
Equity Investment in CCHL	5,800	0	5,800	0	5,800	Amber
Facility Loan to CAEL	1,220	100	1,120	500	720	Amber
Rowan House refurbishment	3,773	3,221	552	4,387	(614)	Amber
E-Cargo	157	12	145	157	0	Green
Colchester Northern Gateway Heat Network	5,816	145	5,671	348	5,468	Amber
Micro Grid / Solar Farm	5,700	0	5,700	0	5,700	Green
Fieldgate Quay	2,500	0	2,500	0	2,500	Amber
Corporate & Improvement	52,113	3,479	48,634	5,392	46,721	
CNG Recreational Play Equipment	250	0	250	0	250	Amber
CNG Wastewater Improvements Pumping Station	236	25	210	100	136	Amber
Town Centre	1,726	0	1,726	0	1,726	Amber
CNGN - Sports Park	521	61	460	250	271	Amber
CNGS - Detailed Planning	453	163	290	453	(0)	Green
CNGS - The Walk	192	41	151	192	(0)	Green
CNGS - Infrastructure	2,477	157	2,320	700	1,777	Green
Grow-on - former Queen St Bus Depot	5,231	420	4,811	1,084	4,147	Red
Wilson Marriage Digital skills hub	689	0	689	689	0	Green
5G	794	27	768	794	0	Green
Improved Youth Provision (ECC)	1,290	0	1,290	1,290	0	Green
Town Cen to Greenstead & Uni Cycle	4,562	17	4,545	859	3,704	Green
Essex County Hospital	489	489	0	464	24	Green
Balkerne Gate Phase 2	918	2	916	918	0	Green
Holy Trinity Square	862	2	860	862	0	Green
Kerbless & Green Streets	807	1	807	364	443	Green
Jumbo	1,059	75	984	1,059	0	Green
Holy Trinity Church	505	1	504	505	0	Green
Land Acquisition	2,272	9	2,263	1,000	1,272	Green
HOG - Tamerick Way - new homes	5,000	0	5,000	0	5,000	Green
HOG - Community Health & Wellbeing	5,864	29	5,836	100	5,764	Green
HOG - Essex Pedal Power	320	10	310	320	0	Green
HOG - Liveable Neighbourhood	150	8	142	150	0	Green
Development work and programme fees	177	0	177	0	177	Green
Place & Client	36,845	1,536	35,309	12,154	24,691	
Housing Improvement Programme	19,577	5,227	14,350	39,800	21,985	Amber
Housing ICT Development	377	0	377			
Sheltered Accommodation	12,604	3,376	9,228			
Adaptations to Housing Stock	768	395	373			
Council House New Build	12,113	258	11,855			
Purchase of properties - HRA	10,880	5,285	5,595			
New Build on Garage Sites	2,319	925	1,395			
Property Purchase - 100 Homes	3,147	2,731	416			
Housing Revenue Account	61,785	18,197	43,588	39,800	21,985	
Other Projects	892	423	469	681	211	Green
TOTAL CAPITAL PROGRAMME	168,056	26,343	141,712	64,064	103,992	

Comments on red rated schemes:

St Marks Community Centre
Timing: Tendering and approval delays will affect delivery (as well as cost)
Cost: Need additional funding and costs are rising
Delivery: Awaiting decision on budget to appoint contractor, options are being explored by appointed QS
Approved Budget: £1.8m
Grow On – Former Queen Street
Timing: CAT due to start on site and tender nearly ready, so programme stabilising
Cost: There is major concern around costs given the amount the demolition has taken so far and the impact of inflation and rising prices on the tender returns
Delivery: Delays to demolition due to structural issues that is having a big impact on costs.
Approved Budget: £5.2m
St Nicholas Square
Timing: Delays due to highways and material issues.
Cost: Big cost increases due to delays and price fluctuations.
Delivery: Supply chains and risk of highways’ approvals not taking place and additional costs associated with Christmas period stand down.
Approved Budget: £1.3m

RAG Status Definition

Status	Definition	Action
Red	There are significant problems with the project and the project is not meeting expectations to date. The project requires corrective action to meet business objectives. The problem cannot be handled solely by the project manager.	The matter should be formally escalated to the project board. A remedial action plan to be implemented, including reviewing the frequency of progress reports.
Amber	Not meeting the expectations to date. There are mitigating circumstances in most cases and improvement is likely but risks are being flagged.	The project sponsor and owner must have early sight of the circumstances. All stakeholders are to be informed. Resolution options are to be investigated.
Green	Meeting expectations to date.	No action required.

Governance and Audit Committee

Item
9

7 March 2023

Report of	Assistant Director Corporate and Improvement Services	Author	Matthew Evans ☎ ext. 8006
Title	Work Programme 2022-2023		
Wards affected	Not applicable		

1. Executive Summary

1.1 This report sets out the current Work Programme 2022-2023 for the Governance and Audit Committee. This provides details of the reports that are scheduled for each meeting during the municipal year.

1.2 The Committee is asked to note the additional meetings which have for been scheduled for 13 March and 28 March 2023. The meeting scheduled for 15 February 2023 was cancelled by the Chair, and the reports scheduled to be considered at this meeting will now be considered on 13 March. The meeting on 28 March will be used to receive the Chartered Institute of Public Finances and Accountancy (CIPFA) report on the Council's wholly owned companies.

2. Recommended Decision

2.1 The Committee is asked to note the contents of the Work Programme for 2022-2023.

3. Reason for Recommended Decision

3.1 The Work Programme of this Committee is kept under review throughout the municipal year to ensure that business is progressed and Members have the opportunity to review upcoming agenda items.

4. Alternative Options

4.1 This function forms part of the Committee's Terms of Reference and, as such, no alternative options are presented.

5. Background Information

5.1 The Governance and Audit Committee deals with the approval of the Council's Statement of Accounts, audit, other miscellaneous regulatory matters and standards.

5.2 The Committee's Work Programme will evolve as the Municipal Year progresses and items of business are commenced and concluded. At each

meeting the opportunity is taken for the Work Programme to be reviewed and, if necessary, amended according to current circumstances.

6. Standard References

- 6.1 There are no particular references to publicity or consultation considerations; or financial; equality, diversity and human rights; community safety; health and safety, environmental and sustainability implications or risk management implications.

7. Strategic Plan References

- 7.1 Governance is integral to the delivery of the Strategic Plan's priorities and direction for the Borough as set out under the four themes of growth, responsibility, opportunity and wellbeing.
- 7.2 The Council recognises that effective local government relies on establishing and maintaining the public's confidence, and that setting high standards of self-governance provides a clear and demonstrable lead. Effective governance underpins the implementation and application of all aspects of the Council's work.

WORK PROGRAMME 2022-23

Governance and Audit Committee
Meeting date / Agenda items -
Governance and Audit Committee - 21 June 2022
<ol style="list-style-type: none"> 1. Year End Internal Audit Assurance Report 2021/2022 2. <u>Review of the Governance Framework and Draft Annual Governance Statement</u>
Governance and Audit Committee - 26 July 2022
<ol style="list-style-type: none"> 1. Local Government Association Model Code of Conduct for Councillors 2. 2021/2022 Revenue Outturn 3. 2021/2022 Year End Review of Risk Management

Governance and Audit Committee - 6 September 2022

1. Colchester Borough Homes Annual Report and Governance Statement
2. Revenue Monitoring Report – April to June 2022/23
3. Capital Expenditure 2021/2022 Outturn

Governance and Audit Committee - 18 October 2022

1. Local Government and Social Care Ombudsman Annual Review 2021/2022
2. Health and Safety Policy and Annual Report
3. Treasury Management Report 2021/2022
4. 2022/23 Capital Monitor Q1 and Q2

Governance and Audit Committee – 22 November 2022

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

Governance and Audit Committee – 7 December 2022

1. Revenue Monitoring Report – July to September 2022/23.
2. Treasury Management – Half Yearly Update
3. Overview of the Council's Procurement Policy

Governance and Audit Committee - 17 January 2023
<ol style="list-style-type: none"> 1. CCHL Half-Year Performance Report 2. <u>Annual Review of the Council's Companies' Business Plans</u>
Governance and Audit Committee - 15 February 2023 Meeting cancelled
<ol style="list-style-type: none"> 1. Interim Review of the Annual Governance Statement Action Plan 2. Risk Management Progress Report 3. Mid-Year Internal Audit Assurance Report 2022/2023 4. Annual Review of Business Continuity
Governance and Audit Committee - 7 March 2023
<ol style="list-style-type: none"> 1. Revenue Monitoring Report – October to December 2022/2023 2. Capital Monitoring Report – October to December 2022/2023
Governance and Audit Committee - 13 March 2023
<ol style="list-style-type: none"> 1. Internal Audit Plan 2023/2024 2. Interim Review of the Annual Governance Statement Action Plan 3. Risk Management Progress Report 4. Mid-Year Internal Audit Assurance Report 2022/2023 5. Annual Review of Business Continuity
Governance and Audit Committee - 28 March 2023
<ol style="list-style-type: none"> 1. Chartered Institute of Public Finances and Accountancy review