



# Governance and Audit Committee Meeting

**Grand Jury Room, Town Hall, High Street,  
Colchester, CO1 1PJ  
Tuesday, 12 September 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>.

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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.

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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, Audit, Risk and Counter Fraud**

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.

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.

### **Miscellaneous 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.

An overview of the Council's complaint handling procedure and Local Government and Social Care Ombudsman investigations.

### **Shareholder Committee for Council owned companies**

To consider, review and make recommendations to Cabinet regarding the activities and financial performance of Colchester Commercial (Holdings) Limited, its subsidiary companies and Colchester Borough Homes Limited.

Consider an annual review of the business plans of Colchester Commercial (Holdings) Limited (including its subsidiary companies) and performance of the companies including delivery of the dividend; and the Annual Report, Governance Statement and performance of Colchester Borough Homes Limited.

The creation of any arrangements for any future Council owned company including activities and performance.

### **Standards**

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.

**The complete Terms of Reference of the Governance and Audit Committee are contained within the Council's Constitution.**

**COLCHESTER CITY COUNCIL**  
**Governance and Audit Committee**  
**Tuesday, 12 September 2023 at 18:00**

**The Governance and Audit Committee Members are:**

Councillor Chris Pearson	Chair
Councillor Paul Smith	Deputy Chair
Councillor Dave Harris	
Councillor Alison Jay	
Councillor Sara Naylor	
Councillor Rhys Smithson	
Councillor William Sunnucks	

**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 which would prevent them from participating in any discussion of the item or participating in any vote upon the item, or any other registerable interest or non-registerable interest.
- 5 **Minutes of Previous Meeting**  
The Councillors will be invited to confirm that the minutes of the meeting held on 1 August 2023 are a correct record.
- Draft Governance and Audit minutes - 1 August 2023** 9 - 20
- 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 Committee via Zoom. Each representation may be no longer than three minutes. Members of the public wishing to address the Committee remotely may register their wish to address the meeting by e-mailing [democratic.services@colchester.gov.uk](mailto: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 **Colchester Borough Homes Annual Governance Statement 2022/23** 21 - 48  
The Committee will consider a report requesting that it review, consider and comment on the Annual Governance Assurance Statement of Colchester Borough Homes.
- 8 **Quarter 1 Budget Monitoring Report 2023/24** 49 - 66  
The Committee will consider a report setting out the 2023/24 General Fund and Housing Revenue Account positions, for both revenue and capital, as of 30 June 2023.
- 9 **Financial Monitoring Report – End of Year 2022/23** 67 - 88  
The Committee will consider a report setting out the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the year 2022/23.
- 10 **Work Programme 2023-2024** 89 - 92  
The Committee will consider a report setting out its work programme for the current 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

01 August 2023

*Present:-* Councillor Chris Pearson (Chair)  
Councillor Dave Harris, Councillor Paul Smith,  
Councillor William Sunnucks

*Substitutions:* Councillor Paul Dundas for Councillor Sara Naylor

*Also Present:-* Councillor David King

### **373. Minutes of Previous Meeting**

*RESOLVED* that: the minutes of the meetings held on 28 March 2023 (including the minutes published in Part B of the agenda) and 20 June 2023 be confirmed as an accurate record.

### **374. External Audit Update (from BDO LLP)**

Rachel Britain, Director Public Sector Assurance Team, BDO

Roopal Bakarania, Audit Manager, BDO

The Committee received an update from the Council's appointed auditors, BDO LLP, which included information on the status of the audit for the period ended 31 March 2021, and an indicative timetable for the external audits of the remaining two years under the current audit contract, 2021/22 and 2022/23.

Rachel Britain, Director Public Sector Audit Assurance Team, BDO, attended the meeting and addressed the Committee to provide an update on the status of the Council's 2020/2021 audit. This audit was well progressed in a number of areas, and the final sections of the audit which needed to be completed were set out in the report before the Committee. By the Start of September 2023, the Council had agreed to provide information needed to conclude the audit, and once this information had been received, the audit work would be progressed throughout September. Arrangements would then be made for the final review and sign-off of the audit, hopefully in early October.

At the request of the Committee, further clarification was provided in respect of the individual issues which awaited resolution:

- Infrastructure assets audit procedures were an issue which was common to all Councils, and had resulted in a Statutory Instrument being issued in December 2022 which provided a solution. The Council needed to provide information to allow accounting procedures to be performed on balances within the financial statements. The most important part of this consideration was the useful economic life of Council assets which was an area of estimates which could impact on the depreciation figure used, which could potentially be a material figure in the financial statements. The assessment of the useful economic life of Council assets also had the potential to affect the Minimum Revenue Provision (MRP) of these assets.
- An updated set of financial statements was required before these could be audited, to take account of changes which had occurred since the last set of figures had been provided, together with updated consolidation workings.
- Responses to queries to the Council's Value for Money assessment were also outstanding. The auditors needed to be content that there were arrangements in place, and consider whether there were any significant weaknesses in these arrangements which would need to be included in the audit opinion.

The Committee heard that if simple queries arose from the information which the Council would provide to the auditors, then enough time was available to deal with these, however, more complicated questions which arose could have the effect of impacting the proposed timescale.

In considering any changes which had occurred in the Council's financial position since April 2021, procedures would be followed to determine whether or not any large changes would have an adjusting or un-adjusting impact in the financial statements. This depended on a number of factors.

Andrew Small, S151 Officer, attended the meeting and addressed the Committee. The Committee heard that the issues with local authority audits were well known, and in some cases dated back to accounts from 2015/2016. The government had now recognised that some form of intervention was required to try and resolve the situation. A paper had been published recently setting out proposals to address the position, and it was intended that a set of statutory deadlines would be issued for each set of accounts to be completed by. If the auditors were unable to gain sufficient assurance before these deadlines, then they would have to certify accounts as qualified accounts, outlining the issues which gave rise to the qualification. Although there were some concerns with this approach, the resolution of the backlog of accounts allowing the Council to move forward would be welcomed, with processes implemented to ensure that this situation did not arise again in the future. The proposed solution would not bring an instant resolution to the outstanding accounts as the deadline dates ran through 2024, however, it did represent a step in the right direction.

Following questioning from the Committee, Rachel Britain confirmed that BDO's timetable for dealing with the Councils outstanding statement of accounts was:

- For the 2020/2021 accounts, the Council would provide the information that was needed to conclude the audit by the start of September 2023 and the audit would then be finalised in October 2023.
- For the 2021/2022 and 2022/2023 accounts, it was proposed that a timeline for their completion would be provided by the end of August 2023 which would be in line with the new government proposals.

In response to an enquiry from a Committee member, Rachel Britain confirmed that following issues which had arisen over the preceding couple of years, any Council which had a material infrastructure balance would have had its accounts put on hold whilst an intervention was being decided. This had resulted in a Statutory Instrument coming into force on 25 December 2022, and although additional information had been requested from the Council prior to this date in relation to the useful life of its assets, no further action could have been taken on this information prior to the date of the Statutory Instrument.

A Committee member voiced concern that there had been an apparent delay in providing BDO with the information which had been requested, and noted that any change in the assessment of the useful life of the Council's assets would have a knock-on effect on the MRP of those assets, and therefore the Council's Revenue Budget. Rachel Britain confirmed that in this scenario, the level of materiality would be of importance as the useful economic life of an asset was an estimate used by the Council based on their experts and information. An amendment of the budget would require any change in this valuation to have become a material issue, however, provided the auditors were comfortable with the Council's estimates this was not anticipated to pose a problem.

A Committee member noted that the Council's accounts were incredibly complex, with a significant difference between the statutory and management accounts which were reported to this Committee, had consideration been given to leases at the Northern Gateway development? BDO were unable to provide a detailed response to questions from the Committee at this meeting, however, it was confirmed that various sections of the audit were currently under review and outstanding information was awaited before the necessary resources were committed to complete the audit.

The S151 Officer offered assurance to the Committee that in terms of reserve movements, there were a number of quirks of local authority accounting with certain transactions having to go through the accounts which weren't cash transactions, and which would not show in the revenue account. Some of these transactions were around pensions and the valuation methodology which was used for pension accounting and which could lead to very significant shifts each year in terms of pension valuations.

The Committee requested that a brief update be provided to it via email by the second week of September to confirm whether the audit was on the course which had been suggested.

*RESOLVED* that:

- The contents of the verbal update be noted.
- The Committee to receive an update on the progress of the audit of the Council's 2020/2021 statement of accounts as soon as this was available.

### **375. Verbal update from the Council's S151 Officer with regard to the Council's statement of accounts.**

The Committee received a verbal update from the Council's S151 Officer with regard to the Council's statement of accounts.

Pam Donnelly, Chief Executive of Colchester City Council, attended the meeting and addressed the Committee. When considering the position with the Council's outstanding audits, it was evident that the Council was dealing with an extremely serious matter of a complex and unprecedented nature. Assurance was offered to the committee that this issue was being taken extremely seriously by the S151 Officer and his Deputy, together with Cabinet. There had been delays in the provision of information to the Auditors from the Council and there were a number of reasons for this. It was now the time to look to the future, and it was considered that the Council now had the right resources, skills and leadership in the S151 Officer and his Deputy, who had been diligent in their work. There was now greater clarity about the outstanding information and timeframe, and a clearer framework for the completion of outstanding audits which had been provided by central government. Although there were likely to be further delays with the completion of the outstanding audits, it was essential that the information which was provided was as up to date and transparent as possible, providing the Council with the ability to make quality decisions in the future.

Andrew Small, S151 Officer, attended the meeting and addressed the Committee. There was currently a lot of expectation in relation to clarifying the overall financial position of the Council. Although the introduction of the new S151 Officer and Deputy S151 Officer had introduced a further element of delay into providing this understanding, progress was being made, and the national position could not be understated in terms of the complexity, delay and issues which needed to be resolved. The priority was to reach a point where the Council could be offered reassurance about its financial position at the earliest possible point, but there were no immediate concerns about the Council's financial health. The Council's previous S151 Officer had been very cautious and very prudent. The Committee heard that the 2020/2021 accounts had already been published, but not yet audited, and outstanding information was awaited from the Council before this audit could be finalised, and it was hoped that this work would be concluded in October 2023.

With regard to the statement of accounts for 2021/2022, the Committee was aware that a partial statement of accounts had been published, and work was ongoing to publish a complete set of accounts at the earliest opportunity. This work was somewhat hampered by recent sickness in the Finance Team of key individuals, which would inevitably cause delays. However, technical staff from Epping Forest District Council had been brought in to assist, and an additional experienced new

member of staff had been appointed who was to start immediately. Although it was understood that there was a general desire to receive the published accounts, it was of crucial importance that they were correct and would withstand the challenge that the Committee would provide. It was hoped that completed draft accounts may be available in September 2023.

With regard to the 2022/2023 accounts, a provisional outturn position had been stuck, which appeared to be a balanced position. This added to the assurance that there did not seem to be any fundamental issues with the Council's accounts, however, the completion of the 2021/2022 accounts could potentially have an impact on this position as valuation of assets MRP could be a consideration. Completed draft accounts were likely to be available in October 2023.

The Committee was reassured by the comments made by the S115 Officer, and particularly noted the difficult economic circumstances of the preceding year.

The Committee heard that the Chief Executive fully supported the S151 Officer's determination to proceed with extreme caution. The focused work which the council was undertaking would bring delay, but would allow for greater clarity to be achieved, to support better quality decision making in the future.

In response to questioning from the Committee, the S151 Officer explained that there had been a national issue with the valuation of infrastructure assets of local authorities, which had delayed the production of most Council's statements of accounts. Additionally, there had been a delay in the Council providing information to its auditors, BDO, caused by the handover period after the appointment of the current S151 Officer and Deputy S151 Officer. The Deputy S151 Officer explained to the Committee that the availability of Council and audit resources were rarely perfectly aligned, and this, together with staff sickness in the Council's Finance Team, had also contributed to the delay. There was confidence that the outstanding information would be provided to the auditors in time to allow the processing of this information within the timescale which had been proposed. A dialogue would be maintained with BDO to agree timetables for the completion of the outstanding work, which would allow the efficient management of the necessary resources. There was a renewed desire to progress this work from all parties.

Committee member enquired whether the estimate of the Council's asset values had a material impact on the Council's ability to deliver key services, or whether these estimates were predominantly necessary as part of accounting practice. It was noted that other Council's which had experienced severe financial difficulties in recent months, had encountered problems with their capital budgets and MRP impacting on revenue budgets to the extent that services were unable to be provided. The Council had a relatively high capital to revenue budget ratio, and it was considered that the MRP of capital projects could be considered in more detail in the future with a breakdown of how the figure was derived.

The Chair of the Committee noted the need to raise awareness of local authority finances, not just within the Committee but across the whole council. Discussions had taken place on this subject with the Council's Chief Executive and S151 Officer,

and suitable training would be arranged which would answer the types of queries which the Committee was raising.

The Chief Executive confirmed to the Committee that the valuation of the Council's assets was of critical importance, and had been part of the action plan recommended by a recent Peer Review the Council had undertaken. Progress in this regard had been described as 'impressive' by the Peer Review Team when they had re-visited the Council recently. The Chartered Institute of Public Finance and Accountancy (CIPFA) had been engaged by the Council to conduct a wholesale review of Council assets, and a briefing for all Councillors was to be provided shortly. This work would form the basis of an extremely detailed evaluation of the Council's assets and the associated appraisals which needed to take place. Cabinet would then be able to take decisions about the future size of the Capital Programme, and the affordability of any projects.

The Deputy S151 Officer assured the Committee that the transparency of the MRP of Council assets was something which was currently being considered carefully, and he looked forward to presenting on this topic to the Committee in the future.

Councillor King reminded the Committee that the national challenge, and the challenge posed by the Council's particular auditor, was the largest part of the issues which were currently being faced in terms of obtaining audited statements of account. He assured the Committee that Cabinet was completely committed to the detailed investigative approach which had been outlined by both the Chief Executive and the S151 Officer during the meeting. This approach was necessary to obtain the absolute assurance that was needed, and he was pleased to hear that nothing in the accounts which had been seen by the S151 Officer had given any cause for concern. It was recognised that the Council needed to ensure that there was greater understanding of its financial procedures and position by all Councillors and the public around key financial issues, whether or not they had an accountancy background.

The Committee heard that the Chief Executive was fully supported by the Leader and Cabinet in undertaking the painstaking work which was required to resolve the financial challenge which the Council faced. A recruitment freeze was in place to ensure that there was momentum around the drive to deliver the £500,000 of staff savings which were required in the current financial year, and the Chief Executive was required to personally approve the filling of any vacancy.

Although it was recognised that an increasing number of Councillor briefings were being scheduled by Officers, a Committee member noted that an upcoming CIPFA briefing clashed with a Colchester Borough Homes (CBH) Board meeting, and requested that more be done to avoid such clashes in the future. The work programme of the Committee was considered, and it was suggested that more meetings were needed to ensure that all items which the Committee was required to consider could be accommodated.

In response to an enquiry from a member of the Committee, the S151 Officer confirmed that the wellbeing of the Council's Finance Team was being carefully

considered, and it was important that staff felt supported and had the capacity to carry out the required work. The staff sickness which had previously been mentioned was not related to any work issues, and the shared service arrangement which the Council had entered into provided greater resilience and capacity. The Committee was assured that the Chief Executive was very concerned about the wellbeing of all staff, and considered that the Council's utilisation of shared services would help to provide the needed support and resilience.

In discussion, the Committee noted the positive work with regard to understanding the Council's financial position which had been undertaken by the Chief Executive and the S151 Officer, however, it was clear that there had been a serious breakdown in the audit process in the past. A Committee member considered that it was now necessary to ask probing questions and for the Committee to consider the Council's accounts in significant detail to ensure that the Council's reserve position in particular was fully understood and transparent. He believed that the Council should stop blaming its audit issues on national problems and now take action to resolve any outstanding work. The ongoing work to understand the Council's financial position should be thorough and take the time necessary to achieve a complete understanding of the position, together with dealing with any problems which were discovered. The Deputy S151 Officer advised the Committee that the Code of Practice on Local Authority Accounting was highly prescriptive on the activity that could be taken in respect of the Council's reserves, however, it was considered that there were some limited opportunities available to simplify the way in which the Council's reserves were dealt with.

*RESOLVED* that: the contents of the update be noted.

### **376. 2022/2023 Year End Review of Risk Management**

The Committee considered a report providing members with an overview of the Council's risk management activity undertaken during the financial year from 01 April 2022 to 31 March 2023.

Hayley McGrath, Corporate Governance Manager, attended the meeting to introduce the report and assist the Committee with its enquiries. During the course of the municipal year, the Committee received 2 reports relating to risk management, a mid-year report and an end of year report. The report which was before it was the end of year report, which focussed on 3 key areas:

1. The Council's Risk Management Strategy
2. Work which had been undertaken during the financial year 2022/2023
3. The Council's current Strategic Risk Register

The Committee heard that it was good practice that it was presented with the Council's Risk Management Strategy once a year, to ensure that the Strategy provided the assurance that the Council's risks were managed appropriately. No significant changes had been made to the Strategy for 2023/2024, save for minor

changes to update job titles of staff. The Strategy was approved by the Council's internal auditors each year and had received a 'reasonable' assurance level.

There had been a couple of significant areas of work in the preceding financial year, due to the results of the Council's Peer Review Challenge, and the subsequent review of the Council's wholly owned companies. Work had been undertaken to examine the governance arrangements and risk processes of the Council's companies, Colchester Borough Homes (CBH) and Colchester Commercial (Holdings) Ltd (CCHL).

The presence of an interim Health and Safety Manager during the year had afforded the opportunity to implement a system of managing health and safety risks to provide assurance to managers across the organisation. The programme was comprehensive and was being implemented across all the Council's services. The Committee would receive a more detailed report on this work later on in the municipal year.

Additionally, the Corporate Governance Manager had been working with the Council's joint committees, the North Essex Parking Partnership (NEPP) and the Colchester and Ipswich Museum Service (CIMS), to provide their Committees and Boards support with managing their own internal risk management processes and governance arrangements.

The Strategic Risk Register which was presented to the Committee had a revised format, and a lot of work had taken place with the Council's Senior Leadership Board (SLB) to carry out a detailed, honest and robust review of the risks which the organisation faced. As a result of this review, the contents of the Register had been amended, and the risks related to the 6 outcomes of the Council's Strategic Plan to provide assurance from a corporate governance point of view across the organisation that the Council's objectives would continue to be met. Fewer risks were contained in the Register than before, as the decision had been taken to focus on the risks which it was considered would present the greatest challenge to the authority. SLB had been very honest about the risks that the Council faced, and a key risk had been identified as organisational resilience.

The Committee was asked to agree the proposed Risk Management Strategy in order that it could be presented to Cabinet for approval before being presented to Full Council for inclusion in the Council's Policy Framework.

The Committee noted the number of high priority risks which had been identified, and considered that this demonstrated a high level of transparency, and was to be applauded.

The Committee discussed the critical importance of the Council's staff, and wondered how best to ensure that staff were able to provide honest feedback about the stresses that they faced. It was noted that surveys and morale monitoring had taken place, and particular praise was reserved for the Council's Employment and Financial Inclusion team who were carrying out excellent work in difficult circumstances. Pam Donnelly, Chief Executive of the Council, addressed the Committee and confirmed that in her opinion the levels of honesty which staff felt



empowered to express had risen. There had recently been a significant level of staff engagement from the whole SLB, including webinars and regular monthly sessions with the Chief Executive based on the principles of 'listen, learn, lead'. Any member of staff was afforded the opportunity to raise any concerns with the Chief Executive in a totally confidential environment, and these sessions had been very well attended. The wellbeing and resilience of Council staff was of key importance at all levels of the Council.

It was noted by a member of the Committee that the Budget Strategy Risk contained a referenced to a S.114 notice, and considered that this could cause concern among the public that the Council may be in danger of having to serve this Notice, when in reality there was no danger of this at the present time. It was suggested that as soon as the revenue outturn reports for quarter 1 were available, then these should be shared with the Committee, which had a duty of oversight to ensure that the Council was delivering on its ambitious savings plans. Chris Hartgrove, Deputy S151 Officer, confirmed to the Committee that the quarter 1 figures would be presented to it at its' meeting in September. It was noted that Risk 'J' in the Register related to delays in the Council's Capital Programme, which was listed as a medium risk. Given that delays had already occurred, should this risk not be at a more elevated level? The Corporate Governance Manager was happy to discuss the points which had been raised with the Council's SLBHM to take this back to SLB, and explained that the Risk Register was currently being reviewed on a monthly basis to allow the very fluid economic situation to be kept under constant review. It was the purpose of the Register to list the worst possible outcomes from a given risk, and this was the only reason that a S114 Notice had been included in it.

In response to a comment from a Committee member who noted that the Strategy made reference to the Council taking more risks, the Corporate Governance Manager said that an example of this was the current Turnstone Development, and the fact that the Council was an innovative authority which gave rise to potentially greater risk exposure. Although there was no mention of the Council's risk appetite in the Strategy, this appetite had been assessed and could be added to the Strategy in the future if this was appropriate.

In discussion, it was noted that the Committee had considered the Council's financial statements, together with their production and the potential for qualified statements, and these issues were not mentioned in the Risk Register. Had they been considered and had their omission been a conscious decision? The Council's S151 Officer considered that the risk around the Council's financial statements was adequately covered within the Council's Risk Register under the Budget Strategy in section B of the Register.

A Committee member wondered what the large, unforeseen, catastrophic events were which could have a significant impact on the Council? The Corporate Governance Manager confirmed that such events would be considered by Cabinet, SLB and the Leader to consider, and there were a range of issues which could cause unexpected problems for the Council. Consideration would be given to mentioning such events in the Register in the future. Big issues which could disrupt

the council's services were considered and included in the Council's Business Continuity Plans which were approved by this Committee annually.

The Chief Executive considered that in general terms the Council was facing more risks at the current time than it had in the past. These risks included the level of savings which the Council was required to make, the new approach which was being taken to the leadership of Council staff, and the resizing of the workforce which was taking place. A Committee member pointed out that staffing levels were currently at their highest number over the last 5 years, however, noted that the full time equivalent (FTE) in staffing was considerably lower, which was a deliberate choice of the organisation. It was suggested that the Council should take note of this when thinking about or discussing recruitment. The Chief Executive confirmed that the organisation had made a choice to offer more flexible working for staff, and it was considered that there were three key benefits to this choice:

1. Allowing groups into the workforce who may previously have been excluded such as working parents.
2. If the Council were to adopt a more fixed employment model this would not recognise the significant improvements which had been made in retention and productivity.
3. The Council's approach encouraged a wider recruitment market, both geographically and in terms of the skillsets which the Council was able to attract.

Ultimately, the outcome of the Council's policy was a richer, more diverse workforce which better mirrored the community that the Council served.

Councillor King, The Leader of the Council and Portfolio Holder for Strategy, attended the meeting and offered the Committee his assurance that the approach being taken by the Council with regard to risk management was one which was balanced and given weight which was appropriate to the fluctuating circumstances the Council found itself in. He considered that it was important to understand the FTE number of staffing, and suggested that the flexibility which the Council was able to offer to its employees was part of a desirable employment package which supported recruiting and retaining the staff who could best deliver the Council's aims and objectives, while continuing to support the savings which had to be made.

In discussion, the Committee noted the high levels of interrelationship between elements of the Risk Register, considering that the impact of continued economic hardship could have a knock-on effect on the provision of social housing, for example. Could this be reflected in the Register in some way? It was considered that when setting the budget in the future years, it was essential that the Council didn't try to deliver the same level of service with fewer staff, as this would not lead to a healthy organisation. A Committee member praised the layout and content of the Register, but wondered whether the Council's Project Risk Register should also be considered by the Committee, as some of the Council's projects were large in scope and had the potential seriously impact the Register. The Corporate Governance Manager would discuss this suggestion with the Council's SLB to determine how best to reflect the project risks within the Strategic Risk Register.

The Committee considered whether or not it was appropriate for the risks which were posed to the Council by its wholly owned companies CBC and CCHL to be included on the Strategic Risk Register. The Corporate Governance Manager explained that each of the companies would bring their own Risk Registers to the Committee for scrutiny at the appropriate time. Although the failure of the companies did pose a risk to the Council, in strategic terms, such a failure would potentially have broader consequences on the Council's service delivery. The Chief Executive did consider that when considering risks which were contingent risks, there was now a strong case that these be included in the Council's Strategic Risk Register as the interdependence of the Council and its' companies was highlighted more strongly than ever before.

*RESOLVED* that: The submission of the Corporate Governance Manger's report to Cabinet to approve the Risk Management Strategy for 2023/2024 be endorsed.

### **377. Work Programme**

The Committee considered its work programme for 2023-24.

The Committee had requested that additional meetings be scheduled in December, and work was underway to organise this. The Committee had suggested that the suite of Ethical Governance Policies which were due to be considered at its meeting in November could be moved into December, but this would have the effect that Full Council would be requested to endorse them in February, which was the budget meeting. Work was ongoing to find the best way to bring these reports to the Committee, together with scheduling a further additional meeting in February 2024.

In response to a question from a member of the Committee, Pam Donnelly, Chief Executive, confirmed that it was very unlikely that a full review of the Council's Capital Programme would be ready to present to the Committee in September 2023, and consideration would be given to presenting the Committee with a specific illustrative example of the project review work which was being undertaken.

The Chair of the Committee would speak with the S151 Officer to discuss a suitable time to bring the statement of accounts to the Committee for consideration. A member of the Committee believed that consideration of the draft accounts was important, even if such consideration took place by way of an exempt from publication item.

In discussion, the Committee wondered whether it was necessary for reports on Colchester Commercial (Holdings) Ltd to be presented to the Committee in both November and January.

*RESOLVED* that:

- the contents of the report be noted.
- Consideration be given to how best to allow the Committee to scrutinise the Council's statement of accounts.





## Governance and Audit Committee

Item

7

12 September 2023

<b>Report of</b>	<b>Chief Operating Officer Director of Business Improvement – Colchester Borough Homes</b>	<b>Author</b>	<b>Geoff Beales ☎ 506514 Matt Armstrong (CBH) ☎ 506914</b>
<b>Title</b>	<b>Colchester Borough Homes Annual Governance Statement 2022/23</b>		
<b>Wards affected</b>	Not applicable		

### 1. Executive Summary

- 1.1 The purpose of the report is for the Committee to review, consider and comment on the Annual Governance Assurance Statement of Colchester Borough Homes. As the Council's Arms-Length Management Organisation (ALMO), Colchester Borough Homes (CBH) are responsible for the management and maintenance of the Council's affordable homes (and some transferred general fund services).
- 1.2 There are good governance arrangements in place, in accordance with the Council's formal Management Agreement, and as set out in more detail within the Report and Appendices. Governance between the Council and CBH is monitored through the Council's Client Team on a regular basis. There are formal meetings as per the Management Agreement, regular informal meetings and a number of other internal reporting and controls in both respective organisations.

### 2. Recommended Decision

- 2.1 The Committee considers and comments on the Annual Governance Assurance Statement of Colchester Borough Homes.
- 2.2 The Committee accepts the assurance provided by Colchester Borough Homes regarding its governance arrangements throughout 2022/23.

### 3. Background

- 3.1 Colchester Borough Homes is a wholly owned company of the Council. As such:
  - Its accounts are consolidated into the Council's financial statements.
  - Disclosures regarding the adequacy and effectiveness of its governance arrangements are included in the Council's Annual Governance Statement.
- 3.2 Colchester Borough Homes has therefore provided the Council with its own Annual Governance Statement for 2022/23 as evidence of how well its arrangements are operating (Appendix 1).
- 3.3 The Annual Governance Statement will inform the Council's Governance Statement.
- 3.4 Colchester Borough Homes complies with the National Housing Federation Code of Governance 2020 ([National Housing Federation - Code of Governance 2020](#)) and the self-assessment for 2022/23 is at appendix 2. The code sets out requirements against the following four themes:

1. Missions and Values
2. Strategy and Delivery
3. Board Effectiveness
4. Control and Assurance

In April 2022 an external Board Effectiveness Review was carried out which confirmed alignment to the Code. A number of recommendations were made by the review which have since been completed.

3.5 Fiona Marshall, Chair of Colchester Borough Homes' Finance and Audit Committee, and Matt Armstrong, Director of Business Improvement, will present this report to Committee and respond to any questions relating to it.

#### 4. Additional Information

4.1 The Finance and Audit Committee of Colchester Borough Homes also takes the following actions to assure itself that the Company has proper and secure arrangements in place:

- Each year it agrees an audit plan for a three-year period on a risk-based approach
- It receives regular updates on the progress against this plan throughout the year from Internal Audit
- It considers and recommends the Annual Governance Statement to the Board
- It monitors the actions coming out of the Annual Governance Statement
- It produces the Risk Management Strategy and monitors the key strategic risks of the Company
- It scrutinises the proposed budget for the Company and monitors the Company's financial performance against budget and business plan on a quarterly basis.

4.2 In accordance with company law Colchester Borough Homes has produced its annual statutory accounts for 2022/23 and had these audited by SB Audit LLP, a firm of external auditors. SB Audit LLP have approved these accounts and given a clean audit opinion.

4.3 The External Audit Partner attended the Finance and Audit Committee's July meeting to report on the audit and take questions from the Committee as they scrutinised the accounts.

#### 5. Head of Internal Audit Opinion 2022/23

5.1 Set out below is some key information from the Internal Audit Opinion Report:

- The Audit Plan covered ten internal audit reviews, including all the key financial areas (these were amalgamated into one audit in the year).
- Assurance gradings for the ten completed reviews were as follows:

Assurance Assessments	Number of Reviews	Previous Year
Substantial Assurance	5	4
Reasonable Assurance	5	5
Limited Assurance	0	0
No Assurance	0	0

- The above assurance gradings show that Colchester Borough Homes' control environment has remained robust throughout 2022/23, with 5 audits gaining 'substantial assurance' and no control weaknesses assessed as 'limited' or 'no assurance'.
- The audit plan was established on a risk-based approach, a total of 81 days of audit was conducted throughout the financial year, including 14 days brought forward from 2021/22.
- The total number of recommendations are shown below with the previous year shown in brackets.

Urgent	Important	Routine
0 (0)	11 (9)	9 (5)

## 5.2 The Head of Internal Audit's annual opinion stated...

TIAA is satisfied that, for the areas reviewed during the year, Colchester Borough Homes has reasonable and effective risk management, control and governance processes in place. Not having completed all of the planned work due to the global Covid-19 pandemic has not impacted on our overall assessment.

This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by Colchester Borough Homes from its various sources of assurance.

## 6. Equality, Diversity and Human Rights implications

6.1 There are no direct diversity or equal opportunities issues as a result of this report.

## 7. Strategic Plan References

7.1 The Strategic Plan 2023-26 sets out clearly the Council's priorities.

7.2 This report particularly contributes to the following Strategic Plan 2023-2026 priority areas:

### **Respond to the climate emergency**

- Reduce our carbon footprint.

### **Deliver Modern Services for a Modern City**

- The Colchester Council family of organisations work together to a shared and ambitious vision for the future of our city.
- The Council transforms services and moves to a community centred approach, where it enables, helps, and supports local communities as they help prioritise, shape and deliver local services.

### **Improve health, well-being, and happiness**

- Tackle the causes of inequality and support our most vulnerable people.
- Work with residents and partners to address quality of life and issues of happiness.

### **Deliver homes for those most in need**

- Increase the number and quality and types of homes. Meet our duty to prevent or assist those facing homelessness.

### **Grow our economy so everyone benefits**

- Work with partners to deliver a shared vision for a vibrant city and attract inward investment.

### **Celebrate our city, and our heritage and culture**

- To make our city a yet better place in which to live and work and visit.

## **8. Consultation**

8.1 There are no direct consultation issues arising from this report.

## **9. Publicity Considerations**

9.1 There are no direct publicity issues to consider from this report.

## **10. Financial implications**

10.1 No further financial implications arise from matters included in this report.

## **11. Health, Wellbeing and Community Safety Implications**

11.1 No human resource implications arise from matters included in this report.

## **12. Health and Safety Implications**

12.1 No health and safety implications arise from matters included in this report.

## **13. Risk Management Implications**

13.1 Failure to operate robust governance arrangements can potentially lead to poor management, performance, stewardship of public engagement and, ultimately, poor outcomes for citizens and service users. It increases the risk that the company's priorities will not be delivered. Reviewing the governance arrangements each year and identifying and addressing the key issues minimises these risks.

## **14. Environmental and Sustainability Implications**

14.1 Colchester Borough Homes supports and contributes towards the Councils carbon reduction target throughout all its service delivery.

## **Appendices**

Appendix 1 - Colchester Borough Homes Annual Governance Statement 2022/23

Appendix 2 – Colchester Borough Homes Code of Governance Compliance 2022/23



## **Colchester Borough Homes Annual Governance Statement 2022/23**

### **1. Scope of Responsibility**

Colchester Borough Homes (CBH), formed in October 2003, is the Arms-Length Management Organisation of Colchester City Council (CCC), responsible for the management and maintenance of the Council's homes and transferred general fund services. In 2022/23, these were primarily financed from the Council through a management fee of £10,916,000. This fee also includes professional fees to manage capital and revenue projects, corporate facilities management fee and CBH revenue work costs. The capital projects costing £3,947,000 are paid directly by CCC.

There is a formally binding management agreement between the Council and CBH in place until August 2023, and a recently agreed extension of 5 years will extend the agreement until August 2028. This clearly sets out the governance arrangements that should apply between the two parties and complies with national best practice.

CBH is managed by a Board comprising at least three Council nominees, three tenants and four independent members (including the Chair). The Memorandum and Articles of Association were revised and approved in 2017, Colchester Borough Homes is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Three committees report to the Board: Finance & Audit, Operations & Performance and Governance & Remuneration. Additionally, there is also a Residents Voice Panel. These all have formal, approved terms of reference, which are reviewed annually.

### **2. The Purpose of the Governance Framework**

Good governance leads to good management, good performance, good stewardship, good public engagement and ultimately good outcomes for citizens and the service user. Good governance enables the organisation to pursue its vision effectively, as well as underpinning that vision with mechanisms for control and management of risk.

The governance framework comprises of the systems, processes, culture and values by which the organisation is directed and controlled and its activities through which it accounts to, engages with and serves the community. It enables the organisation to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process, designed to:

- Identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives

- To evaluate the likelihood of those risks being realised and the impact should they be realised
- To manage them efficiently, effectively and economically.

The governance framework has been in place at Colchester Borough Homes for the year ended 31 March 2023 and up to the date of approval of the financial statements of accounts. Colchester Borough Homes exercises control through:

- Corporate governance arrangements outlined in the Memorandum & Articles of Association, Standing Orders, Standing Financial Instructions and the NHF Code of Governance.
- The employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal appraisal system using 'check-ins' (monthly) and 'Quarterlies' through the MyContribution App.
- The preparation of forecasts and budgets that allow the Board and Committee's and the executive officers to monitor the key business risks and financial objectives, and identify variances arising during the monthly reporting cycle.
- Business planning based on a strategic plan, that sets out key actions to enable CBH to achieve its goals for the ensuing year, and the medium term delivery plan which is approved by the Council. This cascades through supporting service plans and individual performance appraisals (quarterlies). The objectives and themes of the strategic plan are:
  1. **Our Customers** – Delivering a positive customer experience.
    - (i) We're listening to and treating our customers with respect;
    - (ii) We're maintaining safe, healthy, and affordable homes;
    - (iii) We're creative and innovative;
    - (iv) We're delivering a great maintenance service;
    - (v) We're providing homes that our customers can be proud of.
  2. **Our Colleagues** – Valuing our people.
    - (i) Our colleagues say that we are a great employer;
    - (ii) Our investment in colleagues enables them to thrive;
    - (iii) Our teams are developed to be dynamic and resilient.
  3. **Our Communities** – Creating a better Colchester.
    - (i) We are increasing the number, quality and type of homes;
    - (ii) We're working in partnership with others to celebrate and support diverse, safe and inclusive communities;
    - (iii) We're preventing homelessness, tackling rough sleeping and supporting the most vulnerable;
    - (iv) We're looking after some of Colchester's most loved buildings for the future;
    - (v) We're considering the environmental impact of everything we do;

- (vi) We're creating accessible services, reducing inequalities, and enabling healthy communities.

The executive management and the Board carry out regular review of performance against objectives and targets detailed in the strategic plan action plan.

### **3. Review of Effectiveness**

Colchester Borough Homes conducts an external review of the effectiveness of its governance framework every 3 years and reviews its performance internally on an annual basis. The review of effectiveness is informed by the decision-making, scrutiny, challenge and assurance of the organisation with emphasis on the NHF Code of Governance on resident focus, inclusion, integrity, openness, and accountability.

The organisation has produced a strategic plan, setting out the direction of the company until 2027. This combined with the medium term delivery plan are the primary guiding documents for the organisation. From these plans, key performance indicators (KPIs) and projects are produced. A performance and scrutiny framework is in place to review and monitor delivery against these. This is a combination of Board, corporate management, tenant and Council scrutiny as well as benchmarking against other providers. CBH's internal arrangements for ensuring the effectiveness of its governance arrangements consist of:

- The Board receiving quarterly progress reports on delivery of the strategic plan and the medium term delivery plan.
- The Governance & Remuneration Committee considering significant staffing matters.
- The Finance & Audit Committee considering internal audit reports throughout the year, reviewing, monitoring and stress testing how well strategic risks are identified and managed. Monitoring financial performance against budgets, including trading and seeking assurance as to the effectiveness of the compliance framework for health and safety.
- The Board monitoring the regular review of key policies against an agreed policy review timetable.
- The Residents Voice, consisting of involved residents and resident board members, reviewing policies which affect services to residents, influencing decisions about housing services, challenging and scrutinising performance and overseeing the community investment fund.
- The Operations and Performance Committee monitoring and having oversight of operational and housing management matters and considering CBH's standard

of operational services against the Regulator for Social Housings consumer standards and the medium term delivery plan.

- The monthly review and update of the Board and Committee work plan.

CBH will ensure that its arrangements to monitor the effectiveness of its governance arrangements remain in place and reflect best practice.

### **Internal Audit**

Internal Audit is delivered through a contract with TIAA Ltd until 1<sup>st</sup> April 2025. TIAA carried out ten reviews, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve Colchester Borough Homes' objectives.

Of these ten reviews, 5 were recorded with an assessment of substantial assurance and 5 were recorded with an assessment of reasonable assurance. Reports were presented to each Finance and Audit Committee to monitor progress against the internal audit plan and to monitor and scrutinise audit recommendations. There were no areas reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' or 'no assurance.'

Internal Audit performance is subject to annual review by the external auditor of CBH in order that they can place reliance on its audit work. The organisation provided the Council with the following assurance regarding the robustness of its governance arrangements during the year:

- Internal audit reports
- Board and Committee work plan
- The Annual Report, which incorporates the Head of Internal Audit's annual report (including an opinion on the effectiveness of the company's systems of internal control)

### **External Audit**

External Audit of the annual financial statements is undertaken by SB Audit LLP with a view to expressing an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

In carrying out the audit work, SB Audit LLP will consider whether the financial statements are free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item will normally be considered material if its omission would reasonably influence the decisions of those using the financial statements.

SB Audit LLP will issue a report to management at the conclusion of the audit work. This will include a management letter that will contain comments and recommendations for improvements in operations and internal control in respect of the organisation. This will be discussed with management prior to the issue of the final report. The report will also include details of significant adjusted and unadjusted items that arise as a result of the audit work.

The Finance & Audit Committee considers the external auditor's report and recommends adoption of the financial statements to the Board.

#### **4. Significant Governance Issues brought forward from 2021/22**

There were no significant governance issues brought forward.

#### **5. Significant Governance Issues completed in 2022/23**

The significant governance issues raised in 2021/22 and actioned in 2022/23 were:

- **Board Effectiveness Review**  
Implement the findings of the Board Effectiveness Review.
- **Management Agreement Action Plan**  
Complete the CBH actions relating to the agreed new Management Agreement 2023-2028.
- **New Administration**  
Prepare and deliver briefings for new councillors and specific detail for the Portfolio Holders for Housing, Resources and Communities

#### **6. Significant Governance Issues to be addressed in 2023/24**

The following significant governance issues have been raised through the Board and Committee work plan to be completed in 2023/24.

- **Board Recruitment**  
Induct the new chair and recruit a new tenant board member.
- **Memorandum and Articles of Association review**  
Review and update the CBH Mem & Arts in line with best practice and the NHF code of governance.
- **Financial stability of CBH**  
Establish and monitor a 5 year financial plan, ensuring annual budgets are kept to, planned efficiencies are realised and income generation targets are met.

## Action Plan

An action plan is set out below to address the governance issues that have been identified. Progress against this plan will be monitored by the Finance and Audit Committee and Board.

Description	Action	Responsibility	Target Completion Date
Board Recruitment	Induct the new chair. Recruit a new tenant board member.	DMT and Governance business partner	June 2023 December 2023
Memorandum and Articles of Association review	Review and update the CBH Mem & Arts in line with best practice and the NHF code of governance.	CEO and Governance business partner	October 2023
Financial stability of CBH	Establish and monitor a 5 year financial plan, ensuring annual budgets are kept to, planned efficiencies are realised and income generation targets are met.	F&A Committee and Director of Business Improvement	March 2024

Through completing this action plan the Company is satisfied that it will have made the improvements that were identified in its review of effectiveness.

**Signed:** \_\_\_\_\_  
(Chair of the Board)

**Signed:** \_\_\_\_\_  
(Chair of the Finance & Audit Committee)

**Signed:** \_\_\_\_\_  
(Director of Business Improvement)



# Colchester Borough Homes Code of Governance Compliance

2022-23

# What is Governance?

1. Governance is about how organisations ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest, and accountable manner.

2. Governance comprises the systems and processes, and culture and values, by which organisations are directed and controlled.

3. The Code of Governance is a comprehensive document which sets out how organisations should behave across the following 4 themes;

1. Mission and Values



2. Strategy and Delivery



3. Board Effectiveness



4. Control and Assurance





▶ The Board and Leadership at CBH have continued to assure our compliance with the NHF Code of Governance 2020 throughout the year.

▶ This self-assessment statement is a brief summary of our compliance with the Code overall and how we demonstrate this against each of the themes.

▶ We have included a summary of how we meet the key requirements.

▶ This demonstrates the policies, processes and documents we have in place to assure our colleagues, customers and stakeholders that we are compliant with the Code.



# Theme 1 – Mission and Values

- ▶ This section explains how the CBH Board sets, and actively drives, the organisation's social purpose, vision and values. It explains how the Board defines the culture of the organisation, ensuring strong resident focus as well as adhering to the key principles of openness, accountability and integrity.



## Our Mission

Our mission is to deliver **great value services that make a difference**

## Our Values

We are committed to our key company values (“The CBH Way”) and focus on these in the planning and delivery of our services:

- **Building Trust** - To work with customers to build trust in our service.
- **Delivering Customer Led Services** - To work with customers to improve what we do, and promote fair and equal services for all.
- **Commitment to Our Communities** - To offer customers services they can rely on, which respect the needs of the community and individuals.
- **Delivering Professional Services** - Our staff are highly trained to enable customers to receive a knowledgeable response.
- **Providing Value for Money** - in everything we do



## Our Vision

CBH launched our new Strategic Plan in 2022. This document set out the board's forward-looking ambitions to increasing our impact on Colchester in three key areas:

- **Our customers** - To deliver a positive customer experience across all services. To amplify residents' voices within our organisation and increase overall customer satisfaction
- **Our colleagues** - To be a great local employer. To develop our employment practices and invest in our workforce, offering every person the opportunity to thrive.
- **Our communities** - To invest in the homes we manage, and promote safe, inclusive communities, and shape neighbourhoods where people thrive and feel proud to live.



## Resident Focus

CBH has always placed tenants at the heart of decision making; including the customer voice in all major decisions and receiving regular updates on customer complaints, compliments, and focused reports from our tenant scrutiny group on specific areas of the business.

The diagram shows how we involve residents and customers and get information from them, how the Board gets this information and uses it, and finally how we close that feedback loop by sharing the information.



The Board actively direct activities within the business based on the feedback it receives

### How the Board get insight

Resident Board Members  
Residents Voice Panel  
Tenant Scrutiny Panel  
Focus on Frontline reports to Board  
Voice your view art every Board meeting  
Strategic Plan  
Customer Satisfaction Surveys  
Meeting customers on stock tours  
Resident Engagement activity Board Reports  
Customer complaints, feedback and compliments

### What we have done with insight

- Strategic Plan was consulted on with our tenants
  - Consultation for our new Resident Engagement Commitments replacing our existing Residents Engagement Plan
- Tenant Scrutiny panel reports to Board and agreed actions monitored
- Our Box Smart having positive impact on Anti-Social Behaviour measures to work with other organisations and support our communities.
- Our successful Community Funding of £40,000 a year to support charities and organisations through the cost-of-living crisis supporting our Cooking on a Budget sessions.

### How we share insight

Housing News and Views  
Annual Report  
Website  
Social Media  
Email Campaigns

## Equality Diversity and Inclusion

Colchester Borough Homes is committed to treating people with fairness and respect, and appropriately to their needs.

Our Equality Objectives are driven and monitored through our strategic plan and its delivery plans, and our approach and progress is scrutinised by our Board.

We are committed to openness and transparency, and we publish policies and strategies, along with their 'Equality Impact Assessments', which help to ensure fair treatment towards all groups.

## Integrity and Accountability

The Board operates openly and transparently with all colleagues at CBH and CCC and our tenants.

Each year our statutory financial statements and accounts are published as well as our Customer Annual Report which outlines the work that has been undertaken in the previous year.

The Board receives scrutiny on key areas of the business from our tenant scrutiny panel, who report to the Board directly.

Information about our Board, who they are and their declarations of interest are all available on the CBH website.



# Theme 2 – Strategy and Delivery

- ▶ This section explains how the CBH Board sets ambitious plans and strategies for the organisation, ensuring that we remain financially viable, are well governed and we maintain strong oversight of arrangements to achieve this.



## Strategies, Resources and Plans

This year we launched our new strategic plan for 2022-27 and we have performed well against the majority of the plan.

We have seen some very positive results, such as CBH listening to and acting on residents' views having increased by 9% in one year (against a target of 10% in 5 years).

Other performance recorded a reduction in 'overall satisfaction, although this is recognised as a sector wide challenge. This is partly due to the pandemic, but also due to labour issues, supply chain issues, the cost of living crisis and rising inflation have all had an impact

## Chief Executive

The Code of Governance contains many provisions relating to the Chief Executive who has the delegated authority to oversee and manage the operational delivery of the organisations strategies and plans.

These include ensuring that there is a rigorous contract of employment in place, that they are remunerated accordingly, that their role and delegated authority is documented and that they are subject to annual appraisal which is overseen by the Board.

We are fully compliant with them all.



## Workforce

In our independent survey in April 2022 Staff spoke highly of CBH and demonstrated a depth of loyalty and much to be proud of. Staff talked about the benefits of working at CBH including the people that they worked with and the feeling of giving something back.

The main point of feedback from the workforce was relating to pay and reward, which is unsurprising given the cost of living crisis and rising inflation throughout 2022.

A benchmarking exercise was carried out and salaries for a number of roles were adjusted accordingly and staff were also awarded a nationally negotiated (Unison) cost of living increase award.

The key HR challenges faced by CBH are notably difficulties in recruiting staff and pay, challenges that are shared with many other organisations.

The Board has further access into the views of our staff through our Focus on Frontline feature at every Board meeting.

## Performance

CBH has a Medium-Term Delivery Plan which sits alongside the CBH Strategic Plan and is focused on enabling CBH to fulfil the terms of its management agreement with CCC. The Medium-Term Delivery Plan provides a framework through which CBH delivers its management agreement obligations, including compliance with relevant statutory and regulatory requirements.

The Board receives reports at each meeting which goes into detail on these performance measures, with a dashboard outlining performance in each area

Throughout the year, the Board also receive reports from all areas of the business. These are a mixture of Executive reports, strategies, policies, performance updates, risk reports, approvals and information items for consideration.

# Theme 3 – Board and Effectiveness

- ▶ This section explains how CBH assures the effectiveness of our Non-Executive Directors and how we maintain a skilled, forward-thinking and diverse Board that provides high challenge and high support to our Executive team and colleagues.



# External Board Effectiveness Review April 2022

CBH carried out an external Board Effectiveness Review in April 2022 and overall, the review findings were very positive.

The brief for this work was to look at board effectiveness in general, and specifically carry out an appraisal of the board's alignment with the 2020 Code

A number of recommendations were made as part of the review, and these were incorporated into an action plan which has been monitored by our Governance and Remuneration Committee.

At the time of writing this report of all actions have been completed and implemented bar one which will be carried out in August 2023.



## Roles, Responsibilities and Functions of the Board and Committees

Our Articles of Association and Standing Orders clearly outline the roles, responsibilities and functions of the Board and its Committees.

Our Scheme of Delegations clearly articulate those matters which are solely reserved to the Board and those which are delegated to Committees of the Board, the Chief Executive and those which can then be delegated further as part of the operational running of the business. A Scheme of Financial Delegations is also in place to support this

## Board Composition, Selection, Appointment and Remuneration

The Board can have up to 12 Members including independent, resident, councillor and Executive Members at any time.

Board succession is considered by the Governance and Remuneration Committee and an annual exercise is undertaken by the Board to identify skills, knowledge and experience and where there may be gaps to be filled in the future.

Recruitment processes are open, fair and are tailored to ensure that we are recruiting to meet any gaps identified.

The Chair of the Board is remunerated at a fair market rate which is regularly benchmarked and reviewed by external consultants.

## Committees

There are three standing Committees of the Board: Operations and Performance, Finance and Audit and Governance and Remuneration which provide more in-depth scrutiny to specific areas of the business and report these to the Board.

These Committees have a Chair who is a Non-Executive Director of the Board and have terms of reference which clearly states their responsibilities and reporting lines.

Ad-hoc committees are also convened from time-to-time to focus on specific tasks.

## Tenure and Renewal

CBH has a Board Member Recruitment and Renewal Policy which is overseen by the Governance and Remuneration Committee .

As at March 2023 CBH was compliant with the provisions of this policy and with the Code of Governance with regards to Board tenure

## Conduct of Business

CBH conducts all Board and Committee meetings effectively, as endorsed by our external Board effectiveness review in April 2022.

Member appraisals are carried out as well as effectiveness of Board and Committees and actions for improvement are acted upon.

The annual governance calendar is agreed before year end and an urgency process can be used if decisions are required between meetings.

Meeting papers are published in advance giving the Board sufficient time to read them and make comments and observations using the online system.

Each meeting also has a standing item allowing the Board to comment on the effectiveness of the meeting and add suggestions for improvement

## Appraisal, Review and Learning

CBH conducted its triennial review of our governance arrangements by an external organisation.

All Board members receive and induction to the business.

Ongoing learning opportunities through away days, access to conferences and events.

Learning also comes from our Board Champion Roles which are in place for Health & Safety, Complaints & Customer Service, Diversity & Inclusion, Risk and Sustainability & Wellbeing

A comprehensive appraisal process is carried out annually and the results of these are reported to G&R with an agreed training action plan.

# Theme 4 – Control and Assurance

- ▶ This section explains how approaches control and assurance; ensuring that there is sufficient oversight of operational performance, risk management, and audit processes to be able to state in statutory accounts and reports that the organisation adheres to all relevant standards, codes and legislation





## Audit, Compliance and the Finance and Audit Committee

- CBH has a Finance and Audit Committee which meets 4 times a year, and has oversight of both internal and external audit, as well as internal process for control assurance including Health and Safety.
- The Committee reports to the Board and also holds meetings with the external auditors (without the Executive present) annually.
- The Committee has responsibility for reviewing all internal audits throughout the year, as well as considering the effectiveness of internal audit arrangements and the re-procurement of internal audit.
- The Committee oversees the annual statutory reporting process, agreeing the timeline with the external auditors, signing off the financial statements, final accounts and the governance statement and recommending these to Board.



## Risk

- The Board receives Risk Reports throughout the year and maintain overall responsibility for risk management and oversight. They conduct an annual risk review at an Away Day.
- The Finance and Audit Committee carry out deep dives into specific risks, as well as reviewing and recommending the risk appetite of the organisation before recommending to the Board for approval.
- As well as oversight of the risk register, Board review at every meeting new and emerging risks and changes in the sector



## Whistleblowing

CBH has a Whistleblowing Policy which covers our arrangements for whistleblowing and is clear on the process to be followed if anyone has concerns about the conduct of any of our colleagues or Board Members.

The Chair of the Finance and Audit Committee is the designated contact for issues which are related to the Chief Executive, Directors Management Team or the Head of Finance.



12 September 2023

<b>Report of</b>	<b>The Section 151 Officer</b>	<b>Author</b>	<b>Chris Hartgrove</b> (chris.hartgrove@colchester.gov.uk)
<b>Title</b>	<b>Quarter 1 Budget Monitoring Report 2023/24</b>		
<b>Wards affected</b>	Not applicable		

## 1. Executive Summary

- 1.1 This report sets out the 2023/24 General Fund and Housing Revenue Account positions, for both revenue and capital, as of 30th June 2023 ("Quarter 1").
- 1.2 In terms of General Fund revenue expenditure – at the Quarter 1 stage – a budget overspend of £1.340 million is forecast, with projected net expenditure of £26.721 million compared to an updated budget provision of £25.381 million.
- 1.3 As with 2022/23, the budget is being delivered against a challenging economic background that is creating multiple, unforeseen, pressures on the budget. The peak in inflation and higher interest rates are both continuing for far longer than was predicted by the Treasury at the time the budget was set. This is resulting in higher costs, but also lower income from some services as disposable incomes are reduced as resident's adjust their spending patterns. Additionally, the squeeze on incomes and higher housing costs is resulting in higher demands for some council services, such as homelessness. With both the cost of delivery and demand increasing, whilst at the same time income decreases, it is the Council's budget that is squeezed in the middle.
- 1.4 Consequently, the net revenue Expenditure position reflects a Service overspend of £2.740 million. Notable items include:
  - A net budget pressure of £772,000 on Homelessness/Temporary Accommodation compared against the original budget of £533,000, resulting in a forecast net spend of £1.305 million. Locally, there has been a £1.4 million increase in Housing Benefit Subsidy Loss compared to the same stage last year (with accommodation rates charged providers increasing at a far higher rate than the amount that the Council is able to reclaim from the Government through the Housing Benefit system). This is part of a national trend, with statistics released by the Government confirming that Homelessness was up by 5.7% across England in the period January to March 2023, compared to the corresponding period in 2022. The Homelessness service is managed by CBH on behalf of the Council. The Councils Senior Team are working with Senior Managers from CBH to identify actions to mitigate this overspend and to develop solutions to the wider housing pressures facing Colchester; and
  - An income shortfall of £551,000 on the Garden Waste Collection service is also anticipated, with technical accounting rules preventing anticipated cash receipts in the first quarter of 2024 being credited in full in the financial year; this has a one-off impact in 2023/24.
- 1.5 In contrast, the overspend on Services is offset by an underspend of £1.400 million on Capital Financing costs, due to the combined impact of a continued increase in interest rates and the completion of an internal review of Capital Financing costs.
- 1.6 Members should also note that the realisation of embedded savings targets within the 2023/24 revenue budget is also proving very challenging, most notably a targeted recruitment freeze with an assumed yield of £0.5 million; additional measures have now been introduced by senior management entailing a more stringent recruitment freeze, with a view to getting as close as possible to the target over the remainder of the financial year.

- 1.7 As with 2022/23, the Staff Pay Settlement for 2023/24 represents a further substantial risk. The projections contained in this report assume that the in built 4.0% uplift will be sufficient, but at the time of reporting, Trade Unions have rejected the Employers' National Pay Offer of £1,925 for all grades (an average award closer to 5.0%) and have balloted for industrial action. Although the Council is not strictly bound by any National Agreement, this remains a threat until a Local Agreement is reached.
- 1.8 The revenue Funding position for Quarter 1 is mixed. The Council is to receive £204,000 in Revenue Support Grant (RSG) that was not included in the original budget assumption, but the anticipated Contribution from Reserves is £1.125 million higher as a consequence of the £1.340 million overspend described above.
- 1.9 Some of the pressure identified here are one-off, whilst others are likely to continue into future years. The ongoing nature of some of the issues emerging within the budget is recognised and therefore officers, working with portfolio holders, continue to put considerable effort into the Council's transformation programme in order to deliver efficiencies that will help offset the pressures reported here.
- 1.10 A balanced position on the Housing Revenue Account (HRA) is projected at the Quarter 1 stage. An anticipated shortfall on income from Rent and Service Charges of £110,000, is to be offset by a reduced Contribution to Capital of the same amount. If a balanced position is achieved, the HRA Balance would remain unchanged at £4.582 million (above the £1.6 million contingency requirement assumed in the HRA Business Plan).
- 1.11 And finally, spending on the General Fund Capital Programme in the first 3 months has been relatively subdued at £2.906 million, with a forecast outturn of £18.349 million, which – if this materialises – would lead to an underspend of £67.145 million. The underspend in part reflects the pause in significant elements of delivery whilst affordability and viability are reassessed as part of the wider Capital Programme review.

## **2. Recommended Decisions**

- 2.1 The General Fund revenue position at the end of Quarter 1 (30th June 2023) for 2023/24, including actions being undertaken or proposed to ameliorate the position, where significant variances have been identified, be noted (*including Appendices A and B*).
- 2.2 The General Fund capital position at the end of Quarter 1 (30th June 2023) for 2023/24 be noted (*including Appendix C*); and
- 2.3 The Housing Revenue Account revenue position at the end of Quarter 1 (30th June 2023) for 2023/24, including actions proposed to ameliorate the position, where significant variances have been identified, be noted.

## **3. Reason for Recommended Decision**

- 3.1 This report facilitates the scrutiny of the Council's financial position for 2023/24.

## **4. Alternative Options**

- 4.1 None.

## 5. Background and Introduction

- 5.1 The Housing Revenue Account budgets for 2023/24 (Revenue and Capital) were approved by Cabinet on 25th January 2023.
- 5.2 The General Fund budget for 2023/24 (Revenue only) was subsequently approved by full Council on 22nd February 2023. A decision on an updated General Fund Capital budget for 2023/24 was deferred pending the outcome of an internal review of the Capital Programme. The delivery of the previously approved Programme has continued in 2023/24, with unspent balances from 2022/23 rolling forward as planned.
- 5.3 This report updates the Governance & Audit Committee on how the Council's services have performed against approved budgets in the first three months of 2023/24 (Quarter 1), and projects forward to the anticipated outturn for the end of the financial year.

### **General Fund Revenue Budget**

#### **Net Expenditure**

- 5.4 The General Fund net expenditure position for 2023/24, at the Quarter 1 stage – summarised by service area – is presented in Appendix A. The headline is a forecast budget overspend of £1.340 million, with projected net expenditure of £26.721 million against an updated budget provision of £25.381 million. The table below summarises the position by service area.

<b>General Fund Net Expenditure 2023/24 (Quarter 1)</b>					
<b>Service Area</b>	<b>Budget 2023/24 (Council 22/02/23)</b>	<b>Q1 Budget Moves</b>	<b>Updated Budget 2023/24</b>	<b>Q1 Forecast (Net)</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Corporate & Democratic Core	(33)	(20)	(53)	(13)	40
Senior Leadership Team (SLT)	834	8	842	842	0
Community	1,482	119	1,601	1,864	264
Customer	2,189	127	2,316	2,350	33
Environment	6,559	311	6,870	7,814	944
Place & Client	3,148	823	3,971	5,191	1,220
Corporate & Improvement	7,184	528	7,712	7,951	239
<b>Total Service Budgets</b>	<b>21,363</b>	<b>1,896</b>	<b>23,259</b>	<b>25,999</b>	<b>2,740</b>
HRA/NEPP Recharges	(3,594)	0	(3,594)	(3,594)	0
Financing Costs	3,879	0	3,879	2,479	(1,400)
Unallocated/Corporate/Technical	3,087	(1,250)	1,837	1,837	0
<b>Total Net Expenditure</b>	<b>24,735</b>	<b>646</b>	<b>25,381</b>	<b>26,721</b>	<b>1,340</b>

5.5 Full details of the underlying variances in the table above can be found in **Appendix A** (Summary) and **Appendix B** (Analysis). The most notable variances – by service area level – compared to the updated budget in the table above are as follows:

- **Place & Client (£1.220 million forecast Overspend)** – the most significant factor in the overall forecast overspend relates to a budget pressure of £765,000 on the Housing service. This is dominated by exceptional demand on the Homelessness/Temporary Accommodation budget, which is expected to overspend by £772,000; there has been a £1.4 million increase in Housing Benefit Subsidy Loss compared to the same stage last year.
- **Environment (£0.944 million forecast Overspend)** – forecast pressure of £898,000 on the Neighbourhood Services budget is the headline behind the overall forecast overspend, with an anticipated income shortfall of £551,000 from the Garden Waste Collection service being the single largest factor. Although the rollout of the new chargeable service is expected to generate substantial cash receipts from customer subscriptions in early 2024 as expected, the technical accounting rules require the income to be matched against the service provided, resulting in the bulk of those receipts being credited to 2024/25, rather than the current financial year.
- **Community (£0.264 million forecast Overspend)** – the most significant factor here is the Building Control service, which is experiencing a shortfall in income; the net budget is expected to be overspent by £129,000 due to a shortfall in Fees £249,000 outweighing anticipated staff savings of £120,000. A reduction in Building Control Applications appears to be an emerging national trend and Colchester is no different, with tough economic conditions thought to be responsible for reduced activity across the sector.
- **Corporate & Improvement (£0.239 million forecast Overspend)** – the single largest item here relates to Governance, with an overspend of £115,000 forecast at this stage; this is predominantly due to a forecast overspend on Employee costs as vacant posts have not met the expectations assumed in the Savings target for Vacancies and the Recruitment Freeze. The ‘casual costs’ of Hall Keeping is adding to the financial pressure in this area due to the provision of extra security at committee meetings; and
- **Financing Costs (£1.400 million forecast Underspend)** – a forecast underspend (or budget surplus) is anticipated on (net) Financing Costs of £1.4 million; this is due to the combined impact of a continued increase in interest rates and the completion of an internal review of Capital Financing costs. The most notable variance is on Interest Payable (£803,000), with the impact of loan repayments outweighing additional more recent Capital Programme commitments (although Members should note that the potential impact of new schemes, currently awaiting approval, has been disregarded in the analysis – if all schemes were approved and commenced by 1st October 2023, this would add another £121,000 to interest costs). Interest Receivable is also exceeding budget expectations (£584,000). Minimum Revenue Provision (MRP) costs are very close to budget at £2.740 (with a variance of just £13,000).

## Funding

- 5.6 The General Fund funding position for 2023/24, at the Quarter 1 stage is summarised in the table below.

General Fund Funding 2023/24 (Quarter 1)					
Description	Budget 2023/24 (Council 22/02/23)	Q1 Budget Moves	Updated Budget 2023/24	Q1 Forecast (Net)	Variance
	£000's	£000's	£000's	£000's	£000's
Council Tax	(13,936)	0	(13,936)	(13,936)	0
Business Rates	(6,456)	0	(6,456)	(6,467)	(11)
Collection Fund Adj. (CT & NDR)	323	0	323	323	0
Revenue Support Grant	0	0	0	(204)	(204)
New Homes Bonus (NHB)	(576)	0	(576)	(576)	0
2023/24 Services Grant	(175)	0	(175)	(175)	0
Funding Guarantee Allocation	(1,685)	0	(1,685)	(1,685)	0
Other Government Grants	0	0	0	0	0
Contribution to/(from) Reserves	(2,230)	(646)	(2,876)	(4,001)	(1,125)
<b>Total Funding</b>	<b>(24,735)</b>	<b>(646)</b>	<b>(25,381)</b>	<b>(26,721)</b>	<b>(1,340)</b>

- 5.7 The funding position for the General Fund in Quarter 1 is mixed. Whilst there is little variation on Local Tax (Council Tax and Business Rates) at this stage, there is some good news in the Final Local Government Settlement for 2023/24 with the Council receiving £204,000 in Revenue Support Grant; this was not included in the original budget assumption.
- 5.8 However, due to the forecast overspend of £1.340 million summarised in Paragraph 5.4 above, the anticipated net Contribution *from* Reserves is significantly higher (by £1.125 million) than assumed in the updated budget.

### General Fund Reserves

- 5.9 At this stage, Members are reminded that a (net) Contribution of £2.230 *from* Reserves was assumed in the Budget adopted by Full Council in February 2023. The table below summarises that assumption.

Reserve	Planned Contributions to/(from) GF Reserves 2023/24	Description
	£000's	
Future Budget Reserve	(900)	General contribution <i>from</i> Reserve to support Budget.
Repairs & Renewals Fund	(800)	General contribution <i>from</i> Reserve to support Budget.
Pension Fund Deficit Reserve	(557)	Contribution <i>from</i> Reserve to fund (3-year) advance payment to Essex Pension Fund (£836k), minus annual contribution <i>to</i> Reserve (£279k).
Business Rates Reserve	(323)	General contribution <i>from</i> Reserve to match fund Collection Fund (Council Tax & NDR) deficit contributions.
Revenue Grants Unapplied	(200)	Contribution <i>from</i> Reserve releasing funding from Flexible Homelessness Grant.
Strategic Plan Delivery Reserve	550	Contribution <i>to</i> Reserve of £550k to fund corporate priorities (receipt from Leisure Services VAT refund).
<b>Net Planned Contributions</b>	<b>(2,230)</b>	

- 5.10 Due to internal resourcing constraints and the impact of (national) delays in the external audit process, the Council's Balance Sheet positions for 31st March 2022 and 2023 have not been finalised. However, at the time of preparing this report, it is now anticipated that a full Statement of Accounts for both 2021/22 and 2022/23 (including finalised Balance Sheet positions) will be published in September and October 2023 respectively. This will allow an accurate presentation of the evolving General Fund Reserves position (reflecting the progression of the budget) in the Quarter 2 report.

**Housing Revenue Account (HRA)**

**Revenue Forecast**

- 5.11 The Housing Revenue Account (HRA) revenue position for 2023/24, at the Quarter 1 stage, is summarised in the table below. The overall forecast is £34.821 million, compared to the original Budget of £34.931 million agreed by Cabinet in January 2023.

<b>HRA Budget 2023/24 (Quarter 1)</b>			
<b>Description</b>	<b>Budget 2023/24</b>	<b>Forecast Spending (31/03/24)</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>EXPENDITURE</b>			
Employees	266	266	0
Premises	9,255	9,255	0
Transport	1	1	0
Supplies & Services	1,118	1,118	0
Third Party Payments	4,898	4,898	0
Transfer Payments	128	128	0
Support Services	3,858	3,858	0
Capital Financing Costs	15,407	15,297	(110)
<b>Total Expenditure</b>	<b>34,931</b>	<b>34,821</b>	<b>(110)</b>
<b>INCOME</b>			
Grants & Reimbursements	(139)	(139)	0
Customer & Client Receipts	(34,529)	(34,419)	110
Income-Interest	(263)	(263)	0
Inter-Account Transfers	0	0	0
<b>Total Income</b>	<b>(34,931)</b>	<b>(34,821)</b>	<b>110</b>
<b>HRA NET EXPENDITURE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 5.12 The table presents a relatively stable position on the HRA at the Quarter 1 stage. Net spending during the period April to June 2023, compared to the profiled budget, is showing a net underspend of £461,000, notably driven by lower than anticipated Premises expenditure of £402,000. However – as with most variances – this is thought to be due to timing differences on actual expenditure compared to profiled spending assumptions. Therefore, most subjective budget lines presented above, are expected to be on budget by the end of the financial year.
- 5.13 The only significant difference compared to the budget is lower than expected Revenue Contributions to Capital of £110,000 as part of overall Capital Financing Costs. The difference in substance is the balancing figure in the HRA and is due to less Rent and Service Charges anticipated from Dwellings and Garages than assumed within the Budget, which is a function of the level of Voids, Right to Buy (RTB) sales, along with the timing of acquisitions and additions.

**HRA Balance**

- 5.14 Members should note that the current HRA Business Plan includes the assumed maintenance of a minimum balance of £1.6 million in the HRA reserve; as of 31st March 2023, the balance was £4.582 million (reported in the Provisional Outturn 2022/23 elsewhere on this agenda). The year end forecast balance in the table below, reflects the balanced position described above in Paragraph 5.6.

Movement on HRA Balance: Quarter 1 2023/24	
Description	£000's
HRA Balance 31st March 2023 (pre-audit)	(4,582)
2023/24 Net Expenditure Forecast Variance Q1 (Para 5.11)	0
<b>HRA Balance 31st March 2024 (Q1 Forecast)</b>	<b>(4,582)</b>

### **General Fund Capital Programme**

5.15 An updated Capital Programme for 2023/24 was not adopted alongside the General Fund Revenue budget in February 2023 in accordance with normal procedure, pending a detailed review of the Capital Programme to establish more in-depth analysis on current and future Capital Financing costs. Despite this, the Programme still had a significant range of schemes that continued into 2023/24. This Quarter 1 update therefore focuses on those schemes and is summarised – at a service level – in the table below. A more detailed analysis – at a scheme level – is included in **Appendix C**.

5.16 The pre-approved Programme budget for 2023/24 totals £85.494 million, including unspent balances of £59.542 million rolled forward from 2022/23. Spending in the first 3 months has been relatively subdued at £2.906 million, with a forecast outturn of £18.349 million, which – if this materialises – would lead to an underspend of £67.145 million.

Pre-Approved General Fund Capital Programme 2023/24 (Quarter 1)							
Description	Rolled Fwd. from 2022/23	2023/24 Allocation	Updated Budget 2023/24	Spending (@ 30 June 2023)	Remaining Budget (@ 30 June 2023)	Forecast Spending (31/03/24)	Variance (Under) / Over
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Corporate Services	33,520	0	<b>33,520</b>	0	33,520	0	<b>(33,520)</b>
Economic Growth	12,565	13,786	<b>26,351</b>	2,296	24,055	10,939	<b>(15,412)</b>
Health Partnerships & Wellbeing	1,742	427	<b>2,169</b>	181	1,988	404	<b>(1,765)</b>
Museums, Culture & Tourism	17	0	<b>17</b>	0	17	17	<b>0</b>
Neighbourhood Services	1,487	0	<b>1,487</b>	-4	1,491	1,202	<b>(285)</b>
Sport & Leisure	441	0	<b>441</b>	0	441	356	<b>(85)</b>
Strategic Housing (GF)	4,701	1,452	<b>6,153</b>	254	5,899	1,530	<b>(4,623)</b>
Sustainability	5,069	10,287	<b>15,356</b>	179	15,177	3,901	<b>(11,455)</b>
<b>Total Expenditure</b>	<b>59,542</b>	<b>25,952</b>	<b>85,494</b>	<b>2,906</b>	<b>82,588</b>	<b>18,349</b>	<b>(67,145)</b>
<i>Capital Financing:</i>							
Capital Grants	18,189	11,565	<b>29,754</b>	2,046	27,708	12,184	<b>(17,570)</b>
S106 Receipts	680	0	<b>680</b>	230	451	616	<b>(64)</b>
Capital Receipts	277	0	<b>277</b>	11	266	30	<b>(247)</b>
Revenue Contributions	191	0	<b>191</b>	0	191	273	<b>82</b>
Borrowing	40,205	14,387	<b>54,592</b>	620	53,972	5,246	<b>(49,346)</b>
<b>Total Financing</b>	<b>59,542</b>	<b>25,952</b>	<b>85,494</b>	<b>2,906</b>	<b>82,588</b>	<b>18,349</b>	<b>(67,145)</b>



5.17 There are four dominant areas of underspending/slippage on the General Fund Capital Programme at the Quarter 1 stage:

- **Corporate Services (£33.520 million forecast Underspend)** – the most significant item here relates to loan advances of £26.70 million to the Council's new Housing Company; these are not now expected to materialise in 2023/24 and delay is associated with the review of Amphora activities.
- **Sustainability (£11.455 million forecast Underspend)** – there are two significant schemes driving the underspend:
  - **CNG Solar Micro Grid** - this scheme explores the development of a micro grid at the Northern Gateway and has a total budget of £5.70 million for 2023/24. The forecast outturn is £0.40 million, which – if this materialises – would lead to an underspend of £5.30 million at year end. The scheme is in the early development stage including design and relevant planning consents. The scheme is being considered for extension, subject to a further business case, to include further Solar AA panels and battery storage which would add a further £6.5 million to the overall scheme budget if approved; and
  - **Colchester Northern Gateway Heat Network** – the budget allocation for this scheme in 2023/24 was £6.355 million. Forecast spending is now £1.80 million, which if this materialises – would lead to an underspend of £4.555 million. The project is currently on hold as costs have increased with inflation. It is now anticipated that construction will not begin start until the latter part of 2024/25 at the earliest.
- **Economic Growth (£15.412 million Underspend)** – the most significant area of underspending relates to schemes associated with the Town Deal project. The overall project has a budget of £19.12 million, with forecast spending of £8.14 million this year; if this materialises, it will lead to an underspend of £10.98 million. Two schemes – with combined budgets of £1.73 million (Balkerne Gate Phase 2 + Kerbless & Green Streets) – are currently on hold pending further review. The Multi-Use Community Hub scheme has a budget of £5.836 million with forecast spending of £0.123, leading to an underspend of £5.712 million; and
- **Strategic Housing (£4.623 million Underspend)** – the underspend relates to the provision of Disabled Facilities Grants (DFG). The council receives a grant in the region of £1.4 million annually, but actual spending is subject to the volume of applications received, approved and then processed; any remaining grant held is carried forward.

### **HRA Capital Programme**

5.18 Cabinet approved a total 5-year HRA Capital Programme of £191.403 million, which included expenditure of £34.668 million for 2023/24 at its meeting on 25th January 2023. The delivery of the Programme is shared with Colchester Borough Homes (CBH) under hybrid arrangements covering “Decent Homes”, and the acquisition and building of Council homes.

5.19 At the time of preparing this report, officers from the Council and CBC are reviewing the Programme to establish the in-depth position for 2023/24. A full update will be included within the Quarter 2 report.

**6. Equality, Diversity and Human Rights implications**

6.1 None.

**7. Standard References**

7.1 There are no special references to the Strategic Plan; consultation or publicity considerations or financial; community safety; health and safety or risk management implications.

7.2 Management Accounts 2023/24 (Month 3)

**8. Environmental and Sustainability Implications**

8.1 None.

**9. Appendices**

9.1 General Fund Revenue Budget 2023/24 (Quarter 1 Variance Summary) – **Appendix A**

9.2 General Fund Revenue Budget 2023/24 (Quarter 1 Variance Analysis) – **Appendix B**

9.3 General Fund Capital Programme 2023/24 (Quarter 1 Forecast) – **Appendix C.**

**General Fund Revenue Budget 2023/24****Variance Summary (Quarter 1)**

Service Area	Variances to Date			Forecast Variances		
	Spend £'000	Income £'000	Net £'000	Spend £'000	Income £'000	Net £'000
<b>Corporate &amp; Democratic Core</b>	(73)	(68)	(141)	40	-	40
<b>Sub-Total</b>	<b>(73)</b>	<b>(68)</b>	<b>(141)</b>	<b>40</b>	<b>-</b>	<b>40</b>
<b>Senior Leadership Team</b>						
SLT	(41)	-	(41)	-	-	-
<b>Sub-Total</b>	<b>(41)</b>	<b>-</b>	<b>(41)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Community</b>						
Assistant Director Communities	-	-	-	-	-	-
Licensing & Food Safety	(11)	9	(2)	7	-	7
Community Safety	(7)	16	9	-	-	-
Environmental Health Services	1	2	3	44	2	46
Building Control	(36)	58	22	(120)	249	129
Community Initiatives	2	-	2	65	-	65
Private Sector Housing	(19)	23	4	(4)	-	(4)
Bereavement Services	(32)	109	77	15	-	15
Cultural Services	(2)	7	5	2	4	6
Colchester Museums	(4)	11	7	-	-	-
<b>Sub-Total</b>	<b>(108)</b>	<b>235</b>	<b>127</b>	<b>9</b>	<b>255</b>	<b>264</b>
<b>Customer</b>						
Assistant Director Customers	-	-	-	-	-	-
Accounts & Debt	30	4	34	107	-	107
Local Taxation & Business Rates	(24)	(26)	(50)	(52)	(38)	(90)
Benefits & Hub	28	1	29	45	34	79
Contact & Support Centre	(42)	7	(35)	(57)	-	(57)
Electoral Services	3	(3)	-	6	-	6
Customer Digital & Systems	(7)	-	(7)	(18)	-	(18)
Land Charges	1	16	17	6	-	6
<b>Sub-Total</b>	<b>(11)</b>	<b>(1)</b>	<b>(12)</b>	<b>37</b>	<b>(4)</b>	<b>33</b>
<b>Environment</b>						
Assistant Director Environment	(10)	-	(10)	-	-	-
Neighbourhood Services	(155)	134	(21)	250	648	898
Car Parking	2	40	42	6	40	46
<b>Sub-Total</b>	<b>(163)</b>	<b>174</b>	<b>11</b>	<b>256</b>	<b>688</b>	<b>944</b>
<b>Place &amp; Client</b>						
Assistant Director Place & Client	(9)	-	(9)	-	-	-
Place Strategy	28	-	28	105	-	105
Housing	453	(76)	377	765	-	765

Service Area	Variances to Date			Forecast Variances		
	Spend	Income	Net	Spend	Income	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Planning	(9)	43	34	6	43	49
Sustainability & Climate Change	(2)	-	(2)	-	-	-
<i>Company Related:</i>						
Client – Commercial Company	(95)	-	(95)	-	-	-
Corporate Asset Management	(302)	136	(166)	100	-	100
Commercial & Investment	20	(36)	(16)	(315)	498	183
Sport & Leisure	406	4	410	23	(5)	18
<b>Sub-Total</b>	<b>490</b>	<b>71</b>	<b>561</b>	<b>684</b>	<b>536</b>	<b>1,220</b>
<b>Corporate &amp; Improvement</b>						
Assistant Director Corporate & Improvement	(22)	32	10	-	-	-
Finance	(31)	-	(31)	-	-	-
ICT	164	50	214	85	-	85
People and Performance	56	46	102	51	-	51
Governance	12	50	62	115	-	115
Communications	(18)	29	11	(12)	-	(12)
<b>Sub-Total</b>	<b>161</b>	<b>207</b>	<b>368</b>	<b>239</b>	<b>-</b>	<b>239</b>
<b>Service Totals</b>	<b>255</b>	<b>618</b>	<b>873</b>	<b>1,265</b>	<b>1,475</b>	<b>2,740</b>

**General Fund Revenue Budget 2023/24****Variance Analysis (Quarter 1)**

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
<b>Community</b>				
Food Safety	7	-	7	Employees forecast overspend of £7k (2.3%). This is a mixture of salaries underspend offset by market forces supplement and agency staff costs.
Environmental Health Services	44	2	46	Remaining vacancy factor target of £44k (59%) is yet to be allocated across the wider service against areas of salary savings. £2k overspend within Animal Control – increase in stray dogs being collected. This also has an impact on the income relating to stray dogs, forecasting £2k (3%) shortfall.
Building Control	(120)	249	129	Forecasting overall salaries underspend of £120k (26%) due to several vacant posts. This is a mixture of core staff underspend and agency staff costs with no budget. Income shortfall forecast at £249k.
Community Initiatives	65	-	65	The full vacancy factor target of £63k (100%) is yet to be achieved and allocated across the wider service against areas of salary savings. A small forecast pressure on NNDR costs relating to Stanway community centre, new leaseholder in place since May.
Private Sector Housing	(4)	-	(4)	Small salaries underspend is a mixture of savings on vacant posts, staff reduction in working hours and the addition of a new market forces supplement costs.
Bereavement Services	15	-	15	Forecasting £12k (4%) staff overspend due to Bereavement manager retiring and new manager starting crossover and relocation costs. £3k (17%) overspend on system maintenance due to supplier's price increase.
Cultural Services	2	4	6	Small overspend of £2k (1%) on core staff. Income shortfall of £4k (3.7%) from Guided Tours.
<b>Customer</b>				
Accounts & Debt	107	-	107	Employee overspends are forecast due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies and the recruitment freeze (100%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Local Taxation & Business Rates	(52)	(38)	(90)	An underspend on employee costs across the teams, Council Tax £38k (9%) and NNDR £14k (8%). The income forecast variance relates to additional precept income of £40k (36%) offset by a shortfall of £2k on the NNDR admin grant (1%).
Benefits & Hub	45	34	79	Employee overspends are forecast due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies and the recruitment freeze (100%). The income variance relates to a shortfall in New Burdens income of £34k (18%).
Contact Support Centre	(57)	-	(57)	An underspend on employee costs (5%).
Electoral Services	6	-	6	An overspend of £6k on employee costs (superannuation).
Customer Digital & Systems	(18)	-	(18)	£18k salary savings in the Project Team due to vacancies (9.51%).
Land Charges	6	-	6	£6k employee overspends are forecast (7.06%).
<b>Environment</b>				
Neighbourhood Services	250	648	898	£168k employee overspends are forecast due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies and recruitment freeze and a £148k employee overspend is forecast to maintain key waste services in line with demand (4.89%). Due to lower prices than expected a £190k underspend is forecast on fuel (22.8%). Following global market fluctuations and a contract re: tender £141k additional income derived from the sale of glass and cans (31.58%) and a £93k overspend on associated contractor costs are forecast. A £551k shortfall on Garden Waste Collection income is forecast due to accounting rules which require income to be reported in the financial year that matches the year of delivery of the service, the shortfall is expected to catch-up in 2024/25 (84.77%). A £176k shortfall on recycling equipment income due to introducing the service later than anticipated (75%).
Car Parking	6	40	46	Unbudgeted expenditure on consultancy costs. A £40k shortfall of Parking income is collectively forecast (Pay and Display income

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				by £20k, season tickets by £2.5k, PCN income by £9k and other income by £9k).
<b>Place &amp; Client</b>				
Place Strategy	105	-	105	Overspend forecast on employee costs (including Housing and Planning areas) due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies and recruitment freeze (5%).
Housing	765	-	765	Forecast overspend across homelessness due to increase in demand (160%) partially offset due to vacant post in Strategic Housing Team (4%).
Planning	6	43	49	Forecast overspend on subscriptions and licences due to increase in costs (20%), underspend forecast across employee costs due to vacant posts (2%) offsetting unbudgeted consultancy costs to cover this (100%). Planning fees income forecast is £43k less than full year budget, this has been profiled based on the previous 3 years income trend variance (3%). This will be reviewed every month.
Corporate Asset Management	100	-	100	There is £100k forecast overspend due to unplanned works mainly based around the Leisure World site including Charter Hall roof c75k and the Flume Tower c£25k, although these figures are still estimates and may yet change. Town Hall ongoing investigations into the Moot Hall ceiling damage has meant that £150k is committed to be spent on initial works but one-off funding has been identified for this. No other pressures have yet been identified although Rowan House has recently re-opened and expenditure will be closely monitored.
Commercial & Investment	(315)	498	183	There are two main cost pressures identified to date which are the demolishing of barns on a Cuckoo Farm/North Colchester (c£100k) and the removal of dumped boats from the river (£87k). There is a small delay expected in the completion of the Turnstone site, however the net income due is forecast to be on budget for 2023/24. The variations on both expenditure and income relate to some operational costs not being incurred until early 2024.
Sport and Leisure	23	(5)	18	Expenditure pressures have been forecast on employee costs £28k due to vacancy factor

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				pressure of £146k for which 42% has already been off-set with other savings, including on supplies and services. A small income improvement of £5k is forecast – most of this is regarding a new grant £3.5k for the Aerobics service.
<b>Corporate &amp; Improvement (incl. CDC)</b>				
Corporate & Democratic Core	40	-	40	Forecast overspend on banking transaction charges due to saving target that will not be achieved and increased costs (29%).
ICT	85	-	85	Overspend forecast on employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies and recruitment freeze, increased staff costs due to bringing the Customer Services IT team into this team and extra hours (5%).
People & Performance	51	-	51	Overspend forecast on employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies and recruitment freeze (39%), unbudgeted management and consultancy costs to carry out review of pay scales (100%) and purchase of Wagestream (100%).
Governance	115	-	115	Overspend forecast on employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies and recruitment freeze (10%) and Hallkeeper casual costs due to extra security at committee meetings (500%).
Communications	(12)	-	(12)	Underspend across employee budgets due to vacant posts (2%).
<b>Service Totals</b>	<b>1,265</b>	<b>1,475</b>	<b>2,740</b>	



## General Fund Capital Programme 2023/24

## Quarter 1 Forecast

Capital Programme - Qtr 1 June 2023-24 - Existing Projects							
Project Name	2022/23 Balances Rolled Forward	2023-24 Budget Allocation	2023-24 Budget (Updated)	Actuals to Q1	Remaining Budget	Forecast outturn for 2023-24	Variance (Forecast v Budget)
	£'s	£'s	£'s	£'s	£'s	£'s	£'s
<b>Corporate Services</b>							
Lending to new Council Housing Company	26,700,000	0	26,700,000	0	26,700,000	0	(26,700,000)
Equity Investment in CCHL	5,800,000	0	5,800,000	0	5,800,000	0	(5,800,000)
Facility Loan to CAEL	1,020,000	0	1,020,000	0	1,020,000	0	(1,020,000)
<b>Strategic Finance</b>	<b>33,520,000</b>	<b>0</b>	<b>33,520,000</b>	<b>0</b>	<b>33,520,000</b>	<b>0</b>	<b>(33,520,000)</b>
<b>Sub-Total</b>	<b>33,520,000</b>	<b>0</b>	<b>33,520,000</b>	<b>0</b>	<b>33,520,000</b>	<b>0</b>	<b>(33,520,000)</b>
<b>Economic Growth</b>							
CNG Wastewater Improvements Pumping Station	209,581	0	209,581	0	209,581	138,715	(70,867)
Digital Strategy - LFFN	(76,797)	0	(76,797)	3,795	(80,592)	0	76,797
CNGS - Detailed Planning	282,628	0	282,628	0	282,628	287,000	4,372
CNGS - The Walk	38,322	0	38,322	0	38,322	2,200	(36,122)
CNGS - Mains grid connection & Infrastructure	2,278,818	0	2,278,818	27,548	2,251,270	525,000	(1,753,818)
Rowan House Refurbishment	(1,495,065)	2,500,000	1,004,935	591,694	413,241	1,044,654	39,719
<b>Economic Growth</b>	<b>1,237,488</b>	<b>2,500,000</b>	<b>3,737,488</b>	<b>623,037</b>	<b>3,114,451</b>	<b>1,997,569</b>	<b>(1,739,919)</b>
Greenstead Land Acquisition	2,263,035	0	2,263,035	5,297	2,257,738	2,249,276	(13,759)
Balkerne Gate Phase 2	99,928	811,144	911,072	(19)	911,091	0	(911,072)
Holy Trinity Square	44,319	780,364	824,683	(21,085)	845,768	624,683	(200,000)
Kerbless and Green Streets	601,144	223,556	824,700	(29,980)	854,680	0	(824,700)
Holy Trinity Church	322,413	181,993	504,406	11,350	493,056	12,750	(491,656)
Jumbo	(12,532)	61,000	48,468	0	48,468	48,468	0
Essex County Hospital	0	0	0	0	0	0	0
TD Development work and fees	143,384	(143,384)	0	0	0	102,693	102,693
Improved Youth Provision (ECC)	1,226,460	20,325	1,246,785	1,290,186	(43,401)	1,290,186	43,401
HoG - Liveable Neighbourhood	(8,031)	150,000	141,969	0	141,969	150,000	8,031
5G	650,200	21,000	671,200	0	671,200	500,000	(171,200)
Town Centre to Greenstead and University Cycle Path	841,456	(532,710)	308,746	187,753	120,993	339,753	31,007
Multiuse Community Hub	(28,900)	5,864,481	5,835,581	6,800	5,828,781	123,356	(5,712,225)
St Nicholas Square	805,717	257,498	1,063,215	210,199	853,015	700,000	(363,215)
Grow-on - former Queen St Bus Depot	4,129,007	352,255	4,481,262	12,654	4,468,608	2,000,000	(2,481,262)
<b>Town Deal</b>	<b>11,077,599</b>	<b>8,047,522</b>	<b>19,125,121</b>	<b>1,673,155</b>	<b>17,451,966</b>	<b>8,141,165</b>	<b>(10,983,957)</b>
LUF - Britannia Yard	100,000	850,000	950,000	0	950,000	500,000	(450,000)
LUF - Vineyard Street	50,000	388,282	438,282	0	438,282	200,000	(238,282)
LUF - St Botolphs roundabout	100,000	2,000,000	2,100,000	0	2,100,000	100,000	(2,000,000)
Levelling up	250,000	3,238,282	3,488,282	0	3,488,282	800,000	(2,688,282)
<b>Sub-Total</b>	<b>12,565,087</b>	<b>13,785,804</b>	<b>26,350,891</b>	<b>2,296,192</b>	<b>24,054,699</b>	<b>10,938,734</b>	<b>(15,412,157)</b>
<b>Health Partnerships and Wellbeing</b>							
Cemetery Improvement works	776	0	776	776	(0)	0	(776)
<b>Bereavement Services</b>	<b>776</b>	<b>0</b>	<b>776</b>	<b>776</b>	<b>(0)</b>	<b>0</b>	<b>(776)</b>
Stanway Community Centre	169,130	16,700	185,830	178,037	7,792	224,483	38,653
Stanway Toucan Crossing	199,340	0	199,340	0	199,340	100,000	(99,340)
St Marks Community Centre/Mill Road Rugby Club	1,365,254	410,000	1,775,254	1,800	1,773,454	75,000	(1,700,254)
Collingwood Road Scout Hut	7,873	0	7,873	0	7,873	4,764	(3,108)
<b>Community &amp; Partnerships</b>	<b>1,741,596</b>	<b>426,700</b>	<b>2,168,296</b>	<b>179,837</b>	<b>1,988,459</b>	<b>404,247</b>	<b>(1,764,825)</b>
<b>Sub-Total</b>	<b>1,742,372</b>	<b>426,700</b>	<b>2,169,072</b>	<b>180,613</b>	<b>1,988,459</b>	<b>404,247</b>	<b>(1,764,825)</b>
<b>Museums, Culture and Tourism</b>							
Colchester Charter Hall - Security	16,889	0	16,889	0	16,889	16,889	0
<b>Visitor and Cultural Services</b>	<b>16,889</b>	<b>0</b>	<b>16,889</b>	<b>0</b>	<b>16,889</b>	<b>16,889</b>	<b>0</b>
<b>Sub-Total</b>	<b>16,889</b>	<b>0</b>	<b>16,889</b>	<b>0</b>	<b>16,889</b>	<b>16,889</b>	<b>0</b>
<b>Neighbourhood Services</b>							
Mobile Skate Park	2,829	0	2,829	3,337	(508)	3,337	508
Vineyard Car Park Lift Replacement	47,501	0	47,501	12,256	35,245	12,256	(35,245)
<b>Street Care &amp; Safety</b>	<b>50,330</b>	<b>0</b>	<b>50,330</b>	<b>15,593</b>	<b>34,737</b>	<b>15,593</b>	<b>(34,737)</b>
Shrub End Depot	959,469	0	959,469	(19,290)	978,759	959,469	0
Light Fleet Replacement	477,381	0	477,381	0	477,381	227,381	(250,000)
Recycling & Waste	1,436,850	0	1,436,850	(19,290)	1,456,140	1,186,850	(250,000)
<b>Sub-Total</b>	<b>1,487,179</b>	<b>0</b>	<b>1,487,179</b>	<b>(1,698)</b>	<b>1,490,877</b>	<b>1,202,442</b>	<b>(284,737)</b>
<b>Sports and Leisure</b>							
CNGN - Sports Park	441,118	0	441,118	0	441,118	355,762	(85,356)
<b>Sports Park</b>	<b>441,118</b>	<b>0</b>	<b>441,118</b>	<b>0</b>	<b>441,118</b>	<b>355,762</b>	<b>(85,356)</b>
<b>Sub-Total</b>	<b>441,118</b>	<b>0</b>	<b>441,118</b>	<b>0</b>	<b>441,118</b>	<b>355,762</b>	<b>(85,356)</b>
<b>Strategic Housing (General Fund)</b>							
Private Sector Renewals - Loans and Grants	277,087	0	277,087	10,745	266,342	30,000	(247,087)
Mandatory Disabled Facilities Grants	4,250,923	1,452,105	5,703,028	242,977	5,460,051	1,100,000	(4,603,028)
<b>Healthy Homes</b>	<b>4,528,010</b>	<b>1,452,105</b>	<b>5,980,115</b>	<b>253,722</b>	<b>5,726,393</b>	<b>1,130,000</b>	<b>(4,850,115)</b>
Grants to Registered Providers	173,075	0	173,075	0	173,075	400,000	226,925
<b>Strategic Housing - General Fund</b>	<b>173,075</b>	<b>0</b>	<b>173,075</b>	<b>0</b>	<b>173,075</b>	<b>400,000</b>	<b>226,925</b>
<b>Sub-Total</b>	<b>4,701,085</b>	<b>1,452,105</b>	<b>6,153,190</b>	<b>253,722</b>	<b>5,899,468</b>	<b>1,530,000</b>	<b>(6,243,190)</b>
<b>Sustainability</b>							
Colchester Northern Gateway Heat Network	4,302,894	2,052,000	6,354,894	100	6,354,794	1,800,000	(4,554,894)
Micro Grid/Solar Farm	0	5,700,000	5,700,000	0	5,700,000	400,000	(5,300,000)
Sustainable Growth	375,813	0	375,813	109,317	266,496	103,799	(272,014)
<b>Climate Change &amp; Energy</b>	<b>4,678,707</b>	<b>7,752,000</b>	<b>12,430,707</b>	<b>109,417</b>	<b>12,321,290</b>	<b>2,303,799</b>	<b>(10,126,908)</b>
E Cargo	165,215	0	165,215	0	165,215	75,000	(90,215)
<b>Sustainable Travel</b>	<b>165,215</b>	<b>0</b>	<b>165,215</b>	<b>0</b>	<b>165,215</b>	<b>75,000</b>	<b>(90,215)</b>
Recreation Ground Old Heath	8,205	0	8,205	0	8,205	8,205	0
Garrison Gym Playground	305,500	0	305,500	0	305,500	305,500	0
Floating Pontoon Mersea	(20,980)	35,000	14,021	(18,442)	32,462	14,021	(18,442)
Fieldgate Quay	(143,531)	2,500,000	2,356,469	19,831	2,336,638	1,118,779	(1,237,690)
Great Tey Rec Playingfield S106	75,581	0	75,581	68,222	7,359	75,581	0
<b>Parks and Open Spaces</b>	<b>224,776</b>	<b>2,535,000</b>	<b>2,759,776</b>	<b>69,612</b>	<b>2,690,164</b>	<b>1,522,086</b>	<b>(1,237,690)</b>
<b>Sub-Total</b>	<b>5,068,698</b>	<b>10,287,000</b>	<b>15,355,698</b>	<b>179,029</b>	<b>15,176,670</b>	<b>3,900,884</b>	<b>(11,454,014)</b>
<b>TOTAL EXPENDITURE</b>	<b>59,542,428</b>	<b>25,951,609</b>	<b>85,494,037</b>	<b>2,905,858</b>	<b>82,588,180</b>	<b>18,348,959</b>	<b>(67,145,078)</b>
<b>Financed By:</b>							
Grants	18,189,296	11,564,551	29,753,847	2,045,853	27,707,994	12,183,705	(17,570,142)
S106	680,279	0	680,279	229,559	450,719	616,484	(63,795)
Capital Receipts	277,087	0	277,087	10,745	266,342	30,000	(247,087)
Revenue	190,740	0	190,740	0	190,740	272,911	82,172
Borrowing	40,205,027	14,387,058	54,592,085	619,700	53,972,385	5,245,858	(49,346,227)
<b>TOTAL FINANCING</b>	<b>59,542,428</b>	<b>25,951,609</b>	<b>85,494,037</b>	<b>2,905,858</b>	<b>82,588,180</b>	<b>18,348,959</b>	<b>(67,145,078)</b>



## Governance & Audit Committee

Item

9

12 September 2023

<b>Report of</b>	<b>Chief Operating Officer</b>	<b>Author</b>	<b>Andrew Small Darren Brown ☎ 282891</b>
<b>Title</b>	<b>Financial Monitoring Report – End of Year 2022/23</b>		
<b>Wards affected</b>	Not applicable		

### 1. Executive Summary

- 1.1 This report sets out the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the year 2022/23.

### 2. Action required

- 2.1 The committee is asked to note the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the year 2022/23.

### 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 The revenue budget position was last considered by Governance and Audit Committee on 7th March 2023. This was as at Quarter 3 and showed a projected net underspend of £434k on the General Fund, assuming the agreed use of reserves of £522k in the budget, although it recognised that there remained a number of potential changes to the forecast. The Housing Revenue Account was being forecast to be on budget.
- 4.2 The accounts for 2022/23 are currently being finalised and this report has been prepared using these draft figures, which are still subject to external audit.
- 4.3 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.

## 5. General Fund – End of Year Position

- 5.1 In total the General Fund outturn shows a net surplus of £163k after carry-forwards and a budgeted use of reserves of £522k. A number of the factors contributing to this position have been identified and reported during the year, but some of the key messages behind this figure are that:-
- General Fund service budgets (after carry-forwards, excluding CIMS & NEPP and including corporate savings targets) are **£994k over budget**.
  - The majority of the £994k overspend is related to Environment, with Neighbourhood services being overspent by £1.308m. Further details are provided in Appendix C, but members will be aware these are issues we have been reporting in the forecast during the year.
  - There have been one-off unforeseen/unbudgeted costs (e.g. redundancy costs) and service-demand cost pressures that have contributed to the outturn position.
  - There are a number of one-off technical items which have mitigated the cost pressures in-year, including a gain from net interest payable and receivable budgets, and miscellaneous government grants.
  - The financial year was heavily impacted by an adverse national economic landscape arising from the war in the Ukraine. The resulting destabilisation of the energy and food supply sectors has driven inflation far in excess of the Treasury's target. The Government responded by increasing the Base Rate in an attempt to limit the rise in inflation. Inflationary pressures and higher borrowing costs have now permeated through the supply chain and the wider economy creating financial pressures on all sectors. In this environment the Council has experienced significant pressure on costs, reductions in income streams and rising demand for statutory services. This has made, and continues to make, predicting spend and income exceptionally challenging. Higher levels of variance against individual budget lines are a consequence of this.
- 5.2 The following table summarises the outturn position for each Service, the effect of the requests for carry forward into 2023/24, and a breakdown of the outturn position against the main non-service areas.

	<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	<b>c/f</b>	<b>Net</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Corporate & Democratic Core	(520)	(448)	(72)	-	(72)
Executive Management Team	731	827	(96)	-	(96)
Corporate & Improvement	6,995	6,916	79	128	207
Customer	3,889	4,067	(178)	129	(49)
Community	978	1,087	(109)	155	46
Environment	7,632	6,853	779	410	1,189
Place & Client	5,089	5,615	(526)	610	84
<b>Sub-Total Services</b>	<b>24,794</b>	<b>24,917</b>	<b>(123)</b>	<b>1,432</b>	<b>1,309</b>
NEPP	539	539	-	-	-
CIMS	1,275	1,121	154	(154)	-
Benefits	(103)	(258)	155		155
General Fund / HRA	30,618	30,654	(36)		(36)
HRA Contingency (cost shown above)		84	(84)		(84)
<b>Total Services</b>	<b>57,123</b>	<b>57,057</b>	<b>66</b>	<b>1,278</b>	<b>1,344</b>
Pensions	386	423	(37)		(37)
MRP	2,603	2,123	480		480
CLIA	(574)	982	(1,556)		(1,556)
Provision for Bad Debts	(390)	(595)	205		205
Misc & Banking Adjustments	(3)		(3)		(3)
Misc Gov't grants	(261)		(261)		(261)
Sport & Leisure backdated VAT claim	(1,520)	(1,520)	-		-
General service related items		1,097	(1,097)	747	(350)
Increase GF minimum balance (Nov 19 Cabinet)		(15)	15		15
Budgeted Use of Reserves	(522)	(522)	-		-
Business Rates Pool	(951)		(951)	951	-
<b>Total (all)</b>	<b>55,891</b>	<b>59,030</b>	<b>(3,139)</b>	<b>2,976</b>	<b>(163)</b>

5.3 Carry Forwards are permitted to allow for the completion of schemes and projects that could not be delivered in year. The future application of carried forward amounts will be reviewed and determined according to affordability during 2023/24. The above table shows carry forward requests and other technical accounting adjustments totalling £2.976m. The key items include:-

- £0.283m in respect of specific Strategic Plan items within services
- £0.202m of Strategic Plan funded items yet to be allocated to service budgets
- £0.951m in respect of the business rates pooling gain
- £0.636m of Covid Recovery and Transformation funding supporting projects in 23/24
- £0.306m in respect of Local Plan
- £0.129m linked to various projects in Customer, including Northgate implementation, and externally funded posts
- £0.247m linked to various projects within Corporate & Improvement, including IT/ systems projects, and the Rowan House refurbishment project.
- £0.078m in respect of Hythe Quay River Wall repairs
- £0.154m relating to the surpluses/deficits within North Essex Parking Partnership and the Colchester & Ipswich Joint Museums service.
- £0.039m supporting Climate Change
- £0.056m for Amphora Homes development fees

5.4 The following table provides an alternative view of the outturn position and gives a breakdown by major expenditure and income variances.

<b>Table 1 - Draft Outturn Summary</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost Pressures:-</b>		
• Net Waste (Recycling credits / Employee & Contractor costs / Materials / Fleet costs)	1,308	
• Corporate Asset Management (repairs & maintenance to various sites, CBH management fee, energy costs)	236	
• Governance (employee costs, insurance premiums)	136	
• Shared service savings not achieved (due to delays in commencing projects)	128	
• Accounts & Debt (employee costs)	80	
• Net Land Charges	58	<b>1,946</b>
<b>Less income:-</b>		
• Planning	360	
• Amphora Dividend	287	
• Building Control	99	
• Licensing & Food Safety	95	
• People & Performance (less income from staff car parking whilst Rowan House closed)	78	<b>919</b>
<b>Underspends / income gains:-</b>		
• Housing (employee costs, affordable housing NHB c/fwd not needed, additional use of Flexible Homelessness Prevention Grant and more rent & service charge income)	(682)	
• Commercial & Investment income (prior year commercial lease rent reconciliations, and various sites) Commercial & Investment (primarily limited impact of coronavirus assumed in the budget)	(224)	
• Finance (employee costs / finance system upgrade costs)	(115)	
• Net Car Parking Income	(104)	
• EMT (underspend on employee costs)	(96)	
• Council Tax Sharing Agreement	(85)	
• Community Initiatives (underspends on employee costs and other general services due to utilisation of external grant)	(80)	
• Sustainability & Climate change (employee costs)	(48)	<b>(1,434)</b>
<b>Corporate / technical items</b>		
• Net Benefits cost	155	
• MRP	480	
• Net interest paid/received	(1,556)	
• Provision for Bad Debts increase	205	
• Pensions	(37)	
• Misc Govt grants	(261)	
• Increase GF minimum balance	15	
• Review of corporate item carry forwards from prior years	(532)	
• Various service related and misc. technical items	(63)	<b>(1,594)</b>
<b>Total</b>	<b>(163)</b>	<b>(163)</b>

### *Service Budget Position*

- 5.5 **Appendix A** details final direct expenditure and direct income for each service (excluding Benefits, NEPP & JMC), and **Appendix B** breaks this down by subjective group.
- 5.6 **Appendix C** details all major budget variances analysed between expenditure and income, including the requested carry forwards against each area to provide some context. The majority of the more significant variances have been reported to Governance and Audit Committee during the year.
- 5.7 The overall position on services shows a higher net overspend from the forecast reported at Period 9. The largest changes include; more income from the Council Tax sharing agreement, less income in Bereavement, Licensing and Building Control, more expenditure on employees and less on fuel costs in Neighbourhoods, more net income in Sport & Leisure and Commercial & Investment than forecast, and no Amphora dividend produced at year-end.
- 5.8 Appendix B highlights there is less expenditure of £263k with less income of £140k. Expenditure savings are across a range of service areas and include where a carry forward has been requested.

### *Technical / corporate items*

- 5.9 In addition to Service budgets it is necessary to review the corporate and technical items in the budget. A number of these are one off such as:-
- £480k pressure on MRP which primarily relates to the loans to Amphora Energy.
  - £1,556k gain from net interest paid/earned, as a result of the level of new borrowing required for the capital programme and increased investment rates, of which £1million had been forecast during the year.
  - £205k cost from an increase in provision for bad debts and £37k gain relating to pensions.
  - Income gain of £261k from ad hoc Government grants.
  - £15k cost relating to the Cabinet decision to increase the minimum level of the General Fund balance as part of the budget setting cycle.
- 5.10 In respect of business rates, provisional pooling figures show we will receive £951k from the business rates pool and it is assumed that this will be carried forward within the Business Rates Reserve. The Medium-Term Financial Forecast assumes that £200k of this will be used to support the 24/25 budget.

### *Summary and impact on future years*

- 5.11 Outturn variances are discussed with relevant service managers and the overall position is considered by Senior Management Team. One important issue is to consider the extent to which any budget variance is likely to be a recurring issue, and if so, has the 23/24 budget been adjusted to reflect this. Service managers are reviewing all outturn variances and any recurring issues will be reported alongside the emerging 2024/25 budget strategy.
- 5.12 The 2023/24 budget was based on the assumption that the 22/23 outturn would be an overspend of £392k, therefore the improved outturn position reflected in this report means we are able to contribute £163k back into reserves, which means it will be available for use in future financial years should there be the need.

## 6. Housing Revenue Account

- 6.1 **Appendix D** sets out the pre-audit revenue outturn for the Housing Revenue Account (HRA).
- 6.2 The outturn position is showing a net surplus of £25k compared to a budgeted deficit of £318k for the year, a favourable variance of £343k. However, there are carry forwards that reduce this variation to an adverse variance of £30k. The outturn variance needs to be considered in the context of the forecast outturn position at Period 9, which was predicting the outturn position would be on budget, and also the predicted underspend for 2022/23 contained within the 2023/24 HRA budget setting papers considered by Cabinet at its meeting in January 2023.
- 6.3 The revenue outturn position also needs to be considered alongside the outturn position for the Housing Investment Programme (Capital). Given the slippage of capital expenditure into 2023/24, less revenue resources are required to fund the 2022/23 Housing Investment Programme (Capital), therefore the revenue underspend will be carried forward within the HRA balance and be used to fund the Housing Investment Programme in 2023/24 when the expenditure is incurred. The outturn position has arisen as a result of variances in several areas and has been split between service and non-service elements.

### *Service Areas*

- 6.4 We received £161k more income than budgeted. This primarily reflects the additional interest earned on HRA balances and reserves, due to the higher investment rates being achieved, as similarly reflected in the General Fund outturn position. This is partially offset by 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.
- 6.5 There was less expenditure than anticipated in a number of areas, the major variances being as follows; There was a net overspend on Premises costs, primarily due to more expenditure on utility costs and repairs & maintenance budgets, as well as an accrual for prior year settlements on Lion Walk service charges. There was a general underspend across most Supplies and Services budgets, which was primarily due to a lower contribution to our Bad Debts Provision than budgeted reflecting the amount of write-off's during the year and the level of rent arrears at the year-end, and the underspend reflecting the carry forward request for IT system/project costs including Project Aurora.
- 6.6 The HRA receives recharges from a number of services and given the outturn within these areas, there is a resultant impact upon the HRA. Carry forward requests of £373k have been approved.

### *One-Off/Technical Items*

- 6.6 Given the slippage in the Housing Investment programme, there has been a lower borrowing requirement in 2022/23, which has resulted in a saving in interest payable. Therefore we have been able to use some of these additional revenue resources to make an additional revenue contribution to fund the 2022/23 Housing Capital Programme. This has meant we have been able to minimise new borrowing, and therefore forego additional interest costs.



6.7 The HRA balance at 31<sup>st</sup> March 2023 is £4,582k. However, £2,982k of this balance is currently committed to future years in order to fund revenue expenditure committed to during 2022/23, together with future contributions to the Housing Investment Programme (Capital). This leaves the uncommitted HRA balance at £1,600k, which is the recommended minimum prudent level of balances. The level of balances at the year-end is in line with the estimate used when the 30-year HRA Business Plan was agreed by Cabinet in January 2023.

6.8 The HRA is a “ring-fenced” account which means that any underspend or overspend in a given year must be retained within the HRA. The effect of the 2022/23 outturn position will need to be reflected within the Medium-Term Financial Forecast (MTFF) for the HRA to establish the level of resources for future years. This will be reviewed as part of the forthcoming budget process for 2024/25.

## **7. Strategic Plan references**

7.1 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.

## **8. Financial implications**

8.1 As set out above.

## **9. Environmental and Climate Change Implications**

9.1. 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.

## **10. Risk management implications**

10.1 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.

## **11. Other Standard References**

11.1 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.

## **Background Papers**

None

**Actual Outturn Expenditure and Income by Service Area – Direct Costs only**

		Actual Outturn		
Area		Spend	Income	Net
		£'000	£'000	£'000
<b>Corporate &amp; Democratic Core</b>		360	(880)	(520)
	<b>Total</b>	<b>360</b>	<b>(880)</b>	<b>(520)</b>
<b>Executive Management Team</b>				
	EMT	731	-	731
	<b>Total</b>	<b>731</b>	<b>-</b>	<b>731</b>
<b>Community Services</b>				
	Assistant Director Communities	166	-	166
	Licencing, Food & Safety	555	(489)	66
	Community Safety	999	(1,025)	(26)
	Environmental Health Services	525	(67)	458
	Building Control	454	(424)	30
	Community Initiatives	1,699	(968)	731
	Private Sector Housing	503	(98)	405
	Bereavement Services	935	(1,821)	(886)
	Cultural Services	658	(100)	558
	Colchester Museums	39	(563)	(524)
	<b>Total</b>	<b>6,533</b>	<b>(5,555)</b>	<b>978</b>
<b>Customer Services</b>				
	Assistant Director Customers	255	-	255
	Accounts & Debt	899	(158)	741
	Local Tax & NNDR	590	(882)	(292)
	Benefits & Hub	1,074	(141)	933
	Contact & Support Centre	1,116	(27)	1,089
	Electoral Services	589	(108)	481
	Customer Digital & Systems	817	(47)	770
	Land Charges	128	(216)	(88)
	<b>Total</b>	<b>5,468</b>	<b>(1,579)</b>	<b>3,889</b>
<b>Environment Services</b>				
	Assistant Director Environment	146		146
	Neighbourhood Services	14,789	(4,791)	9,998
	Car Parking	1,216	(3,728)	(2,512)
	<b>Total</b>	<b>16,151</b>	<b>(8,519)</b>	<b>7,632</b>

	Actual Outturn		
Area	Spend	Income	Net
	£'000	£'000	£'000
<b>Place and Client</b>			
Assistant Director Place & Client	148	-	148
Place Strategy	1,624	(527)	1,097
Housing	4,951	(3,709)	1,242
Planning	1,431	(1,045)	386
Sustainability & Climate Change	785	(556)	229
Garden Communities	671	(376)	295
<b>Subtotal</b>	<b>9,610</b>	<b>(6,213)</b>	<b>3,397</b>
<i>Company Related:-</i>			
Client - Commercial Company	2,046	-	2,046
Corporate Asset Management	2,259	(327)	1,932
Commercial & Investment	289	(3,115)	(2,826)
Sport & Leisure	6,277	(5,737)	540
<b>Total</b>	<b>20,481</b>	<b>(15,392)</b>	<b>5,089</b>
<b>Corporate and Improvement</b>			
Assistant Director Corp & Improvement	71	-	71
Finance	1,095	(164)	931
ICT	2,288	(423)	1,865
People And Performance	992	(155)	837
Governance	3,199	(401)	2,798
Communications	717	(224)	493
<b>Total</b>	<b>8,362</b>	<b>(1,367)</b>	<b>6,995</b>
<b>Total (all)</b>	<b>58,086</b>	<b>(33,292)</b>	<b>24,794</b>

## End of Year – Subjective Analysis

<b>Account Description</b>	<b>Actual £'000</b>	<b>Budget £'000</b>	<b>Variance (fav) / adv £'000</b>
<b>By Subjective Group</b>			
Employees	27,456	26,656	800
Premises Related	10,283	10,143	140
Transport Related	1,902	1,967	(65)
Supplies & Services	12,034	12,825	(791)
Third Party Payments	5,750	6,096	(346)
Transfer Payments	661	662	(1)
Capital Financing Costs	-	-	-
<b>Subtotal Expenditure</b>	<b>58,086</b>	<b>58,349</b>	<b>(263)</b>
Government Grant	(2,719)	(2,607)	(112)
Other Grants & Reimbursements	(6,760)	(6,991)	231
Customer & Client Receipts	(23,595)	(23,586)	(9)
Income-Interest	(218)	(248)	30
<b>Subtotal Income</b>	<b>(33,292)</b>	<b>(33,432)</b>	<b>140</b>
<b>Total General Fund Services</b>	<b>24,794</b>	<b>24,917</b>	<b>(123)</b>

**Major Outturn Variances**

Note: Underspends and additional income variances are shown in brackets.

Service Area	Variance			Carry Forwards £'000	Comment
	Spend £'000	Income £'000	Net £'000		
<b>Executive Management Team</b>					
EMT	(96)	-	(96)		<ul style="list-style-type: none"> <li>Employee underspend due to vacant posts (14%).</li> </ul>
<b>Community</b>					
Assistant Director Community	(3)	-	(3)		<ul style="list-style-type: none"> <li>Small underspend on salary costs - reduction in working hours.</li> </ul>
Licensing and Food Safety	14	95	109		<ul style="list-style-type: none"> <li>Salaries underspend of £46k due to vacant posts is offset by redundancy costs of £67k (4%).</li> <li>Net income shortfall of £95k (16%) in Licensing, mainly PH vehicle and premises licences and advice fee income to new businesses.</li> </ul>
Community Safety	16	(63)	(47)		<ul style="list-style-type: none"> <li>Net employees overspend of £16k (14%) of which £23k unbudgeted redundancy cost is partially offset by salaries savings of £6k.</li> <li>Review of Community Safety balances and grant no longer required.</li> </ul>
Environmental Health Services	(52)	(1)	(53)	<b>24</b>	<ul style="list-style-type: none"> <li>Small underspend on salaries (2%) due to a vacant post. Other small underspend on mileage claims and consultancy fees.</li> <li>Small income gain in water testing and pest control offset by income shortfall in stray dogs boarding and search fees (1%).</li> <li>£24k carry forward for Business Improvement Officer post.</li> </ul>
Building Control	24	99	123		<ul style="list-style-type: none"> <li>Salaries underspend of £88k (22%) due to several vacant posts. This is being offset by retention bonus payments of £12k (100%) and agency staff costs of £100k (100%). Further £15k (155%) overspend on outsourcing surveying services.</li> </ul>

Service Area	Variance			Carry Forwards £'000	Comment
	Spend £'000	Income £'000	Net £'000		
					<ul style="list-style-type: none"> <li>Income shortfall of £99k (19%) in Building Control fees.</li> </ul>
Community Initiatives	(80)	-	(80)	4	<ul style="list-style-type: none"> <li>Total of £87k (11%) underspend on staff and other general services due to external grant utilisation. £9k (100%) spend with no budget on Stanway Community Centre utilities and NNDR costs before transferring to Parish Council.</li> <li>Carry forward of £4k relates to Locality budgets c/f request.</li> </ul>
Private Sector Housing	(92)	111	19		<ul style="list-style-type: none"> <li>Salaries underspend due to a vacant post, temporary reduction in working hours and external grant utilisation contributed to £92k (15%) savings.</li> <li>£111k (53%) income shortfall mainly in civil penalties, redress scheme and electrical safety enforcement fees. Small gain in Healthy homes for internal re-charge utilising DFG.</li> </ul>
Bereavement Services	20	(27)	(7)		<ul style="list-style-type: none"> <li>Small salaries overspend of £13k (5%).</li> <li>£29k (10%) overspend on music services (incl. web cast and recording), this is offset by more income derived from these services. Overspend on premises related costs is a mixture of more spend on energy £48k (29%) due to prices increase, savings on grounds maintenance costs of £14k (4%).</li> <li>£11k (50%) net underspend on Assisted funerals.</li> <li>£27k (1%) more income on cremations &amp; burials. This was partly achieved due to Weeley crematorium being shut for 6 months.</li> </ul>
Cultural Services	(56)	17	(39)	39	<ul style="list-style-type: none"> <li>Large part of the underspend relates to £39k being carried forward for Cultural Strategy and Events fund.</li> <li>Shortfall in ticket income, guided tours and advertising is balanced by underspend on agency work and other, resulting in Net zero variance.</li> </ul>

Service Area	Variance			Carry Forwards £'000	Comment
	Spend £'000	Income £'000	Net £'000		
Colchester Museums	(109)	(22)	(131)	88	<ul style="list-style-type: none"> <li>Large part of the underspend relates to £88k Priority spending carry forward requests for Heritage highlighted, Capt. Jones &amp; Lt Pinto, Red Lion mosaic, feasibility and Gosbecks project.</li> <li>Small underspend on casual staff costs.</li> <li>£30k (7%) more income on general admissions offset by £8k (26%) shortfall on guided tours income.</li> </ul>
Colchester and Ipswich Museums (CIMS)	194	(40)	154		<ul style="list-style-type: none"> <li>CIMS is a ring-fenced budget. Employees overspend of £44k (2%) on overtime, casual and core staff. £90k (62%) gain due to rebate received for NNDR offset by energy overspend due to price increases.</li> <li>£244k (42%) overspend across supplies and services and contractors spend. This is due to planned spend of CIMS reserves for products and services from last year plus current year spend (AV repair and replacement, platform lift, exhibitions, fire alarm upgrade).</li> <li>Gain in grant income– funder’s review and income gain relating to exhibitions. Retail income of £9k more than the budget (45%).</li> </ul>
<b>Customer</b>					
Assistant Director Customer	1	-	1		<ul style="list-style-type: none"> <li>Small overspend on subscriptions.</li> </ul>
Accounts & Debt	80	(8)	72		<ul style="list-style-type: none"> <li>Overspends on employee costs within Procurement £40k (38%), Income and Corporate Debt team £40k (17%) partly due to pension strain costs of £20k and Purchasing and Control £16k (5%). These are partially offset by underspends on training £10k (56%) and software licenses £7.5k (25%).</li> <li>The income variance relates to unbudgeted court fees recovered (100%).</li> </ul>
Local Taxation & Business Rates	49	(97)	(48)		<ul style="list-style-type: none"> <li>An overspend on employee costs within Council Tax of £49k partly due to pension strain costs of £27k (14%)</li> </ul>

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
					<ul style="list-style-type: none"> <li>The income variance relates to court fees recovered £25k (9%) and additional grant income of £72k (23%).</li> </ul>
Benefits & Hub	(94)	46	(48)	<b>29</b>	<ul style="list-style-type: none"> <li>Underspends on management employee costs £57k (43%) and Community Hub employee costs £34k (9%) along with other small variances.</li> <li>The income variance relates to a shortfall in New Burdens income of £65k (35%) partially offset by £11k (100%) reimbursement of consultancy costs from ECC and £8k (100%) unbudgeted funding to support the Essex Household support grant work.</li> </ul>
Contact & Support Centre	36	7	43		<ul style="list-style-type: none"> <li>A £40k overspend on employee costs (3.88%).</li> <li>£7k less income from Messenger and Post Room postage (74.30%).</li> </ul>
Electoral Services	93	(1)	92		<ul style="list-style-type: none"> <li>An overspend of £30k in relation to the in-year unscheduled by-elections costs (10%).</li> <li>Overspends within the Electoral Services team on employee costs of £8k (6%), training £1k (36%) and software licences £1k (4%).</li> <li>Electoral Registration £59k overspend on postage (260%) and £5k over on printing (24%) offset by an underspend on employee costs of £12k (100%).</li> <li>Income variance £1k on sales of the Electoral Register (23%).</li> </ul>
Customer Digital & Systems	(348)	-	(348)	<b>100</b>	<ul style="list-style-type: none"> <li>£57k salary savings in the Project Team due to vacancies (23.42%) and £25k saving on licence implementation costs (17.8%).</li> <li>£129k underspends in the Web and Development Team following merger of teams into corporate ICT to support critical applications and deliver new corporate infrastructure.</li> <li>£37k underspend on software licences (17.25%).</li> <li>Carry Forward: £100k due to Northgate's road map being revised meaning some modules will now be delivered in 23/24. This also</li> </ul>



Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
					pushes additional licence costs and a legacy system cost extension into 23/24.
Land Charges	(11)	69	58		<ul style="list-style-type: none"> <li>£69k less income (24.09%) meant that the demand for searches decreased and third-party payments has underspent £19k (41.89%).</li> </ul>
Benefits – Payments & Subsidy	(912)	1,067	155		<ul style="list-style-type: none"> <li>£150k additional income for the collection of Housing Benefit cash overpayments.</li> </ul>
<b>Environment</b>					
Assistant Director Environment	(15)	-	(15)		<ul style="list-style-type: none"> <li>Employee underspends (10.6%).</li> </ul>
Neighbourhood Services	581	317	898	<b>410</b>	<ul style="list-style-type: none"> <li>There was a £958k overspend on staffing costs associated with having insufficient vacant posts during the year to meet the 'vacancy factor' target and an increase on employee spend to meet the statutory operational demands of service delivery (24.34%)</li> <li>Due to prices reaching record highs in year there was a £102k overspend on fuel (15%).</li> <li>The material costs for recycling bags and other recycling kit purchased throughout the year were higher than previous year/s which resulted in a £163k overspend (80.97%).</li> <li>Following global market fluctuations there was £64k less income derived from the sale recyclable materials (9.55%), however, there was £270k savings on associated contractor costs (32.41%).</li> <li>Recycling credit income was £152k less than the budget (8.5%).</li> <li>Market &amp; Street Trading was unable to achieve the income targets set resulting in £109k shortfall (57.25%).</li> <li>Carry Forwards relate to spend committed in 23.24 on Strategic Priorities (£116k), Waste and Green and Blue Strategy Development (£144k), Colchester Woodland planting year 4 (£29k), Depot</li> </ul>

Service Area	Variance			Carry Forwards £'000	Comment
	Spend £'000	Income £'000	Net £'000		
					transformation (£20k), Signage Works (£23k) and Field Gate Quay repair works (£78k).
Car Parking	174	(278)	(104)		<ul style="list-style-type: none"> <li>Overspends on repairs and maintenance of £33k (56%), parking transaction/income charges £115k (458%), electricity £44k (68%) offset by an underspend on NNDR costs of £11k (1%) along with other small variances.</li> <li>Pay and display income was better than the budget by £281k (9%) along with PCN's by £39k (22%), but season tickets/permits were £10k less than the budget (18%) along with new income streams of £35k (100%). Also, income from reimbursement of costs was £3k (100%).</li> </ul>
North Essex Parking Partnership (NEPP)	187	(84)	103		<ul style="list-style-type: none"> <li>NEPP budgets are ring-fenced and operate within budget, with the deficit being transferred from the Decriminalised Parking Reserve at year-end.</li> </ul>
<b>Corporate &amp; Improvement (incl. C&amp;DC)</b>					
Corporate & Democratic Core (C&DC)	13	(85)	(72)		<ul style="list-style-type: none"> <li>Overspend on banking transaction charges (48%) and subscriptions (11%) offset slightly by underspend across financial audit costs (31%).</li> <li>More income than budget for Council Tax Sharing Agreement (8%)</li> </ul>
Assistant Director Corporate & Improvement	(42)	128	86		<ul style="list-style-type: none"> <li>Assistant Director salary underspend due to restructure (40%) and under on service training budget (30%).</li> <li>Delays to commencing projects to explore shared services mean the associated saving target was not met in 22-23 (100%).</li> </ul>
Finance	(151)	-	(151)	<b>36</b>	<ul style="list-style-type: none"> <li>Underspends across salaries due to vacant posts (10%) and a £25k carry forward for system enhancements was not needed (100%)</li> </ul>

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
					<ul style="list-style-type: none"> <li>£35.5k carry forward has been requested relating of the remaining Transformation funding for Link consultancy.</li> </ul>
ICT	18	(18)	-		<ul style="list-style-type: none"> <li>Overspend 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%) and one off saving on Microsoft payments due to timings (14%).</li> <li>More income as higher recovery of costs from Colchester Borough Homes than budget (14%).</li> </ul>
People & Performance	(6)	78	72	<b>34</b>	<ul style="list-style-type: none"> <li>Underspends on shared payroll service (25%) and staff travel plan (46%) offsetting small overspends across employees (0.3%) and due to the re-tender of the payroll system (87%).</li> <li>Less income forecast from staff car parking due to home working while Rowan House is closed (89%).</li> <li>Carry forwards have been requested for Learning Pool System (£24.9k), remaining Transformational Leadership training budget (£1.7k) and remaining 3 months' salary for project support (£7k).</li> </ul>
Governance	136	(19)	117		<ul style="list-style-type: none"> <li>Overspends on employee costs due to agency fees to cover vacant posts and maternity cover (100%), Hallkeeper casual costs due to external events and greater numbers of meetings (140%), across insurance premiums (4%) and Civic events (2%).</li> <li>More income than budget from insurance charges recovered (80%).</li> </ul>
Communications	(45)	-	(45)	<b>58</b>	<ul style="list-style-type: none"> <li>Overspend across employee budgets (0.7%) offset by underspends across general marking (25%)</li> <li>Carry forwards have been requested for Inequalities Grant funding for salary and marketing (£58k).</li> </ul>

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
<b>Place &amp; Client</b>					
Assistant Director Place & Client	(5)	-	(5)		<ul style="list-style-type: none"> <li>A small variance on employee costs due to an in-year vacancy.</li> </ul>
Place Strategy	(372)	-	(372)	<b>344</b>	<ul style="list-style-type: none"> <li>Underspend across employee costs due to vacant post (3%) and underspend across general spend – the majority of this relates to the Local Plan carry forward request (30%).</li> <li>Carry forwards have been requested for remaining Local Plan budgets including Middlewick and Infrastructure Audit (£306.1k), Orbital spending priority due to delay in starting the work (£6.6k) and recovery funding for final commitment (£10k) and contingency (£21.5k) for the metal arch.</li> </ul>
Housing	(517)	(165)	(682)		<ul style="list-style-type: none"> <li>Underspends as £521k NHB Affordable Housing allocation and carry forward was not needed (100%), across employee costs due to vacant posts (9%) and general fund temporary accommodation repairs and maintenance (70%) offsetting overspend on Colchester Borough Homes management fee due to the extra pay award that was more than what was assumed in the budget (7%).</li> <li>Income is better than budget due to additional use of £150k grant income in year and more income than budget from rents for Council dwellings.</li> </ul>
Planning	71	360	431	<b>4</b>	<ul style="list-style-type: none"> <li>Overspends mainly due to £187.4k planning appeals cost (100%), staff transport costs (44%), employee's (0.9%), publicity costs (7%) and IT software and subscription costs (21%) offset slightly due to removal of £140k Local Design Code carry forward.</li> <li>Planning fees income was £360k less than full year budget (26%).</li> <li>Carry forwards have been requested relating to the remaining New Homes Bonus funded Heritage Project (£1k) and Town Wall spending priorities funding (3.3k).</li> </ul>

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
Sustainability & Climate Change	(184)	-	(184)	<b>136</b>	<ul style="list-style-type: none"> <li>Underspend on employee costs due to vacant manager post (18%).</li> <li>All other underspends mainly relate to the carry forward requests for Fixing the Link 2 (£61.9k) and Safer Streets PFCC funding (£74k).</li> </ul>
Client – Commercial Company	18	287	305		<ul style="list-style-type: none"> <li>£18k overspend relates to consultancy costs on the review of Amphora, and support for Amphora senior management.</li> <li>The £287k shortfall in income is due to a zero dividend being declared by Amphora at year end.</li> </ul>
Corporate Asset Management	236	(4)	232		<ul style="list-style-type: none"> <li>The final overspend included unplanned works of c£60k on three council lifts, c50k 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 Hollytrees Museum £29k incl. lift, St. Marys Arts Centre £14k and some remaining clearance costs on Rowan House. NNDR relief was sought while the Rowan House site was closed which helped offset these extra costs.</li> <li>A further £93k unplanned costs relating to the CBH (DCM) contract were also received in 2022/23.</li> <li>Overall, there was a £62k pressure from energy and water charges</li> </ul>
Commercial & Investment	(88)	(224)	(312)	<b>56</b>	<ul style="list-style-type: none"> <li>Commercial properties had £52k energy and NNDR cost pressures offset by a £41k one-off saving on accruals for prior years settlement on the Lion Walk service charges.</li> <li>Income was £224k higher than the budget due to some variable Commercial lease rents final figures for 21/22 and 22/23 coming in higher than expected, plus some small gains on income levels for Community Stadium £30k; Enterprise Centre £12k. Some of this gain</li> </ul>

Service Area	Variance			Carry Forwards	Comment
	Spend £'000	Income £'000	Net £'000	£'000	
					<p>was offset by lower income on some sites including the Culver Centre £66k.</p> <ul style="list-style-type: none"> <li>Housing Development budget £56k under budget and balance is subject to a carry forward request</li> </ul>
Sport and Leisure	522	(461)	61	<b>70</b>	<ul style="list-style-type: none"> <li>Employee costs exceeded budget by £136k</li> <li>Expenditure pressures on various supplies of £92k, mainly due to inflation, and includes final costs around Pool View going live.</li> <li>The increased pressure on premises costs of £284k was due to NNDR £130k; energy £311k (Electricity £59k and Gas £231k) less savings made on grounds maintenance works in year.</li> <li>An overall income improvement of £456k against budget of the year, and this is predominantly on Pools £145k, Wet Side courses £118k; Lifestyles £86k and Aqua Springs £68k, these helped offset other smaller income pressures across the service.</li> <li>A carry forward request has been made in relation to Transformation Funding towards further IT development, support and external consultancy.</li> </ul>

<b>End Of Year 2022/23</b>			
<b>Account Description</b>	<b>Actual for Year £'000</b>	<b>Budget for Year £'000</b>	<b>Variance (under) / over £'000</b>
<b>HRA - Direct &amp; Non-Direct</b>			
<b>EXPENDITURE</b>			
Employees	252	249	3
Premises Related	8,209	7,508	701
Transport Related	0	1	(1)
Supplies & Services	1,096	1,403	(307)
Third Party Payments	4,282	4,087	195
Transfer Payments	80	128	(48)
Support Services	3,558	3,420	138
Capital Financing Costs	43,495	44,358	(863)
<b>TOTAL EXPENDITURE</b>	<b>60,972</b>	<b>61,154</b>	<b>(182)</b>
<b>INCOME</b>			
Other Grants & Reimbursements	(169)	(139)	(30)
Customer & Client Receipts	(31,473)	(31,669)	196
Income-Interest	(354)	(12)	(342)
Inter Account Transfers	(29,001)	(29,016)	15
<b>TOTAL INCOME</b>	<b>(60,997)</b>	<b>(60,836)</b>	<b>(161)</b>
<b>TOTAL NET - HRA</b>	<b>(25)</b>	<b>318</b>	<b>(343)</b>
<i>Technical Items:-</i>			
Carry Forwards		(373)	373
<b>OVERALL - POSITION</b>	<b>(25)</b>	<b>(55)</b>	<b>30</b>







## Governance and Audit Committee

Item  
**10**

1 August 2023

<b>Report of</b>	<b>Assistant Director Corporate and Improvement Services</b>	<b>Author</b>	<b>Matthew Evans</b> ☎ ext. 8006
<b>Title</b>	<b>Work Programme 2023-2024</b>		
<b>Wards affected</b>	Not applicable		

### 1. Executive Summary

- 1.1 This report sets out the current Work Programme 2023-2024 for the Governance and Audit Committee. This provides details of the reports that are scheduled for each meeting during the municipal year.
- 1.2 At its meeting on 20 June, the Committee requested that an additional meeting be scheduled for December 2023, and this has now been scheduled for 13 December 2023. The Committee is asked to confirm the agenda items proposed for this meeting.
- 1.3 The Committee is asked to note that the expected report on Capital Expenditure 2022/2023 Outturn, and Capital Expenditure and Review summary 22/23 which was due to be presented to this meeting has been delayed, and will be presented at the next meeting in October.

### 2. Recommended Decision

- 2.1 The Committee is asked to note the contents of the Work Programme for 2023-2024.

### 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 2023-24**

<b>Governance and Audit Committee</b>
<b>Meeting date / Agenda items -</b>
Governance and Audit Committee - <b>20 June 2023</b>
<ol style="list-style-type: none"> <li>1. Year End Internal Audit Assurance Report 2022/2023</li> <li>2. <u>Review of the Governance Framework and Draft Annual Governance Statement</u></li> </ol>
Governance and Audit Committee – <b>01 August 2023</b>
<ol style="list-style-type: none"> <li>1. Update from the Council's external auditors, BDO.</li> <li>2. Verbal update from the Council's S151 Officer with regard to the Council's statement of accounts.</li> <li>3. 2022/2023 Year End Review of Risk Management</li> </ol>

**Governance and Audit Committee - 12 September 2023**

1. Colchester Borough Homes Annual Report and Governance Statement
2. Revenue Monitoring Report – April to June 2023/24
3. 2022/2023 Revenue Outturn

**Governance and Audit Committee - 17 October 2023**

1. Local Government and Social Care Ombudsman Annual Review 2022/2023
2. Health and Safety Policy and Annual Report
3. Treasury Management Report 2022/2023
4. 2023/24 Capital Monitor Q1 and Q2
5. Capital Expenditure 2022/2023 Outturn, and Capital Expenditure and Review summary 22/23
6. Polling District and Place Review

**Governance and Audit Committee – 28 November 2023**

1. Colchester Commercial Holdings Limited – Annual Report
2. Revenue Monitoring Report – July to September
3. Capital Monitoring Report – July to September
4. Treasury Management – Half Yearly Update

**Governance and Audit Committee – 13 December 2023**

1. Overview of the Council’s Procurement Policy
2. Review of the Council’s Ethical Governance Policies
3. Annual Review of the Members’ Code of Conduct and the Council’s Localism Act “Arrangements”
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

Governance and Audit Committee - **16 January 2024**

1. Interim Review of the Annual Governance Statement Action Plan
2. Risk Management Progress Report
3. Mid-Year Internal Audit Assurance Report 2023/2024
4. CCHL Half-Year Performance Report
5. Annual Review of the Council's Companies' Business Plans
6. Annual Review of Business Continuity
7. Polling District and Place Review results.

Governance and Audit Committee - **5 March 2024**

1. Internal Audit Plan 2024/2025
2. Revenue Monitoring Report – October to December
3. Capital Monitoring Report – October to December
4. Financial Monitoring Report