

GOVERNANCE AND AUDIT COMMITTEE

7 February 2024

Present:- Councillor Chris Pearson (Chair)
Councillor Paul Dundas, Councillor Dave Harris,
Councillor Alison Jay, Councillor Sara Naylor

Substitutions: Councillor Simon Appleton for Councillor Paul Smith
Councillor Carl Powling for Councillor Sunnucks

Also Present:- Councillor Mark Cory *attended remotely*
Councillor David King
Councillor Jocelyn Law

409. Minutes of the Previous Meeting

RESOLVED that: the minutes of the meeting held on 13 December 2023 be confirmed as a correct record.

410. Have Your Say!

Councillor Jocelyn Law attended the meeting and addressed the Committee in accordance with the Council's Have Your Say! arrangements. She noted that the Council faced cost pressures which affected budget costings and jobs, and considered that it was really important to show council tax payers that the Council spent money wisely. She had been very concerned to read allegations of inappropriate use of funds at Community 360, which was an organisation that the Council worked closely with on a number of projects. She sought assurance that the Council had measures in place to assess any reputational or financial risk, and also assurance that the Council had a process of due diligence for assessing partnerships it worked with and how they spent their grants and allocations.

The Chair of the Committee noted and shared the concerns which had been raised, but reminded the Committee that an investigation was currently ongoing. It was appropriate that the Council had suitable measures in place to ensure that any funding which it provided to any organisation was used appropriately and properly monitored.

Hayley McGrath, Corporate Governance Manager, reassured the Committee that the arrangements for payments to partner organisations were being reviewed as part of

the Council's internal audit programme to ensure that appropriate controls were in place, and a report would be available shortly.

Councillor Law requested that Members be updated on the measures which were to be taken to provide assurance. Would it be possible for Members to be informed about due diligence and procedures which governed long term relationships with partner organisations, and were these reviewed on a regular basis?

Councillor Cory, Portfolio Holder for Resources, attended the meeting remotely, and, with the permission of the Chair addressed the Committee. He confirmed that Officers had been considering the implications of the allegations which had been made against Community 360, and the Council wished to ensure that it had taken all possible steps to make sure that money that the Council had allocated to partner organisations was spent correctly. He assured the Committee that the Council did carry out due diligence with all partners, and although investigations continued, it was believed at this time that the Council's money had been spent appropriately.

Councillor King, Leader of the Council and Portfolio Holder for Strategy, attended the meeting, and, with the permission of the Chair addressed the Committee. He advised the Committee that he had a past involvement with Community 360 and would make details of this public shortly, although this was not relevant to the current issues. He confirmed that the Portfolio Holder for Communities was involved with the Council's investigation into the allegations which had been made, and assured the Committee that Members would be kept informed, and considered that it was right that Members wished to know what had happened. He emphasised the importance of not conflating the city council with Community 360, as the Council worked with a wide variety of important partners.

The Chair reminded the Committee that Community 360 was not a part of the Council, was not run by the Council, and at the current time did not have any Colchester City Councillors on its Board. There was a long standing relationship with Community 360, and it was essential that all Councillors were kept informed with updates as these became available.

411. 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.

Chris Hartgrove, Deputy S151 Officer, attended the meeting to present the update and assist the Committee with its enquiries. Although it had not yet been possible to publish the draft 2022/2023 statement of accounts, final work was being undertaken to prepare the statement for publication and an updated publication note was now on the Council's website. The Committee heard that the Council was one of 44 District Councils who had yet to publish their draft 2022/2023 accounts, and although the position was extremely undesirable, the Council was not alone in facing these difficulties.

The Audit for 2020/2021 was progressing and the Council's auditors had been active in this regard, and confirmation was awaited of when the audit of the Council's 2021/2022 accounts would commence.

A Committee member noted that the Committee dealt with risk, and that to start a new set of accounts, the closing balances from the previous year needed to be available. The Council did not have an audited set of accounts from 2021, and he was concerned that if an issue arose from the audit of the 2021 accounts, then this could cascade down through the numbers, and potentially affect this year's budget. How much risk should be apportioned to the fact that historic audit changes to the Council's accounts could potentially affect the Council's financial position years later? In response, the Deputy S151 Officer confirmed to the Committee that valuation adjustments were technical adjustments which would not affect the Council's usable reserves and would not therefore affect subsequent budgets.

Andrew Small, S151 Officer, attended the meeting remotely and addressed the Committee. The Committee was assured that the delays in producing the 2022/2023 accounts were not down to a lack of effort on the part of staff working on them. Local government statements of accounts had become increasingly complex over the preceding years, which in part explained the difficulties in both preparing accounts and getting these audited. Central government was about to issue a consultation which was expected to include the date of 30 September 2024 by which all accounts would have to be concluded up to but not including the 2023/2024 accounts. The S151 Officer had recently spoken to a partner in a major audit firm which carried out local authority audits, and who had indicated that if it was considered that audits could not be completed by the proposed longstop date, then it was possible that accounts would be qualified instead. This potentially meant that the Council may not have surety by 30 September, which could have implications for years to come, and was a wholly unsatisfactory position. In terms of risk, it was considered that the risk of an audit opinion changing the position as set out in the Council's published draft accounts had been contained, and although there would always be risk associated with preparation of statements of account, none of these were considered to be of sufficient significance to affect the Council's balances. It was considered that it was likely that the 2023/2024 accounts would have to be resolved by 31 March 2025, and after this date, the Council would move into a new regime with new auditors.

A Committee member was concerned that it had initially been hoped that the draft accounts for 2022/2023 would be published in December 2023, and then in January 2024, but had still not been published. Furthermore, it was considered troubling that Councillors had received an invitation to a budget briefing session which was to take place on 14 February 2024, before the draft accounts would have been published. At a previous meeting a Committee member had expressed a great deal of concern that it was important that the draft accounts be published in January to allow an informed position to be taken for the forthcoming budget. What degree of confidence was there now that the draft accounts would be published, given the previous slippage on the deadlines? The Deputy S151 Officer acknowledged that the Committee had raised concerns in the past about the Council's reserve position, and confirmed that the reserves position had now been finalised and shared both with the

administration of the Council and the political Group Leaders of the Council. In terms of the publication of the draft accounts, the Committee heard that a team of Officers was working extremely hard to prepare these, and that the accounts had been balanced some weeks ago, with the balance sheet now fully reconciled to the income and expenditure account, which were major milestones in the process.

Although The Committee was concerned by the delays in publishing the draft accounts, it was pleased to note the clarity and detail of the financial information which was now being provided to the Council, and which it considered lead to greater understanding of the Council's financial position.

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

412. Capital Expenditure Outturn 2022/2023

The Committee considered a report setting out the Capital Outturn position for 2022/23, for both the General Fund and Housing Revenue Account (HRA).

Chris Hartgrove, Deputy S151 Officer, attended the meeting to present the update and assist the Committee with its enquiries. Th General Fund Capital Programme for 2022/2023 had an approved budget of £73.466m, and there had been significant slippage on the Programme. The most significant item had been loan advances of £26.7m to Colchester Amphora Housing that subsequently had not taken place during 2022/23 as planned. The Housing Revenue Account (HRA) had an approved budget for the year of £61.785m and there had also been some significant slippage here, most notably on the house building programme.

The Chair of the Committee noted that the HRA was under review and that a briefing on the HRA for Committee members had been requested and which would be delivered in the near future.

A Committee member suggested that it should be possible to calculate the return on the Council's investment in Rowan House, was this return on investment known? Cllr Cory, Portfolio Holder for Resources, attended the meeting remotely, and, with the permission of the Chair addressed the Committee. He confirmed that the capital sums which had been invested in Rowan House would be repaid over a number of years, and that the net costs to the Council for the refurbishment works had been £1.8m, and which would be recouped though rent collected.

It was considered by a Committee member that the initial procurement of Rowan House had been a good decision in his view, and refurbishing it had also been the right thing to do. In the light of the works which had been carried out, the valuation of Rowan House would have to be reassessed. The Deputy S151 Officer confirmed that the updated valuation of Rowan House would be automatically reflected in the Council's balance sheet.

Concern was raised by the Committee about the underspend of the Disabled Facilities Grants (DFGs). Lucie Breadman, Strategic Director, attended the meeting

remotely and confirmed to the Committee that the Council had an excellent reputation for delivering DFGs, however, the balance and funding of staffing resources remained key to the continued delivery of this service. Although the Council had received funding to deliver DFGs themselves, this did not include funding for staff to deliver the Grants, and this was a matter on which the council, together with other local authorities, had lobbied central government.

RESOLVED that:

- The General Fund Capital Programme outturn for 2022/23 be noted (including Appendix A).
- The Housing Revenue Account Capital Programme outturn for 2022/23 be noted.

413. Internal Audit Plan 2024/2025

The Committee considered a report requesting that it approve the proposed annual internal audit plan.

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The Committee heard that the Council operated a 5 year rolling Internal Audit Programme, which was reviewed on an annual basis. The intended Programme for 2024/2025, which covered 271 audit days, was set out for the Committee in the Officer's report, together with suggested programmes for 2025/2026 and 2026/2027. Some of the audits which were to be carried out were required to be carried on an annual basis, for example to provide support for the statement of accounts, and some audit days were given to Colchester Borough Homes (CBH) and Colchester Commercial (Holdings) Limited (CCHL) for their use. The intended Programme took into account risks from the Strategic Risk Register, and the Committee was invited to interrogate the proposed Plan or highlight any areas where it was felt that audits may be required.

In discussion, the Committee sought assurance that staff who were required to assist in the internal audits which took place were supported in the delivery of their day-to-day work during this time. The Corporate Governance Manager confirmed to the Committee that prior to the delivery of the Audit Programme, there was consultation with the Council's Heads of Service to determine a suitable time for audits to take place, subject to any timing requirements of the audits themselves and where possible, audits could be scheduled for times where staff were traditionally less busy. The number of days which had been specified for audits were the number of days that the auditors themselves would spend on an audit, and following initial information gathering from staff, most of the work on an audit consisted of the auditors reviewing this information remotely. Staff were not required to provide assistance for the entire audit period, but may be asked to help with any subsequent questions or concerns which arose, most commonly via email or remote meetings. In this way, the impact of an audit on a Council service was as minimal as possible.

A Committee member noted that during the 5 year rolling Internal Audit Programme, the Council was likely to undergo substantial transformation in its services, was the Plan flexible enough to deal with these? The Corporate Governance Manager confirmed that the Plan was very flexible and was subject to change within the year as services and demands on time changed. The Committee received a report every 6 months which contained any updates to the Plan, and which highlighted any issues or concerns which had arisen. In addition to this, further auditing days were available if an unexpected item cropped up during the year.

RESOLVED that: the proposed Internal Audit plan for 2024/25, as set out in the Officer's report, be approved.

414. Work Programme

The Committee considered a report setting out its work programme for the current municipal year.

Matthew Evans, Democratic Services Officer, attended the meeting to present the report and assist the Committee with its enquiries.

The Committee was asked to note that the proposed item delivering an update on the Council's procurement process which had been scheduled for its March 2024 meeting would not be delayed until the first meeting of the Committee in the new municipal year, as detailed in the Officer's report.

The Committee requested that consideration be given to the presentation of a report detailing the Council's transition to a Corporate Landlord Model towards the end of the next municipal year.

RESOLVED that: the revised contents of the work programme be noted.