

Governance and Audit Committee Meeting

**Grand Jury Room, Town Hall, High Street,
Colchester, CO1 1PJ
Tuesday, 23 March 2021 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 of access to all meetings of the Council, its Committees and Cabinet which may be conducted remotely such as by live audio or video broadcast / webcast. You also have the right to see the agenda (the list of items to be discussed at a meeting), which is published on the Council's website at least 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>.

Occasionally certain issues, for instance, commercially sensitive information or details concerning an individual have to be considered in private. When this is the case an announcement will be made, the live broadcast will end and the meeting will be moved to consider in private.

Have Your Say!

The Council welcomes contributions in the form of written representations from members of the public at most public meetings. One single contribution to each meeting of no longer than 500 words may be made by each person which must be submitted via email to democratic.services@colchester.gov.uk

If you would like to submit representations to a meeting and need to find out more, please refer to the Have Your Say! arrangements here:

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

E-mail: democratic.services@colchester.gov.uk
www.colchester.gov.uk

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

Accounts and Audit

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

Governance

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

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

Other regulatory matters

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

To determine and approve Community Governance Reviews.

Standards in relation to Member Conduct

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

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

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

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

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

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

General

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

COLCHESTER BOROUGH COUNCIL
Governance and Audit Committee
Tuesday, 23 March 2021 at 18:00

The Governance and Audit Committee Members are:

Councillor Chris Pearson
Councillor Sam McCarthy
Councillor Nick Barlow
Councillor Paul Dundas
Councillor Mark Goacher
Councillor Dennis Willetts
Councillor Barbara Wood

Chairman
Deputy Chairman

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 (Virtual Meetings)

The Chairman will welcome members of the public and Councillors to the meeting and remind those participating to mute their microphones when not talking. The Chairman will invite all Councillors and Officers participating in the meeting to introduce themselves. The Chairman will, at regular intervals, ask Councillors to indicate if they wish to speak or ask a question and Councillors will be invited to speak in turn by the Chairman. A vote on each item of business will be taken by roll call of each Councillor and the outcome of each vote will be confirmed by the Democratic Services Officer.

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 pecuniary interest or non-pecuniary interest.

5 Minutes of Previous Meeting

The Councillors will be invited to confirm that the minutes of the meeting held on 19 January 2021 are a correct record.

Draft minutes - 19-01-2021

7 - 20

6 Have Your Say! (Virtual Meetings)

Members of the public may make representations to the meeting. Each representation may be no longer than three minutes (500 words). Members of the public may register their wish to address the meeting by registering online 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.

7 Audit Plan year ended 31 March 2021

21 - 60

The Committee will consider a report summarising details of the draft audit plan provided by the Council's external auditors BDO.

8 Financial Monitoring Report – April to December 2020

61 - 80

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

9 Internal Audit Plan 2021/22

81 - 88

The Committee will consider a report outlining the Council's five-year program of the key areas to be audited.

10 Update on Remote (Digital) Council Meetings

89 - 98

The Committee will consider a report providing an update on remote (digital) Council meetings, as requested by the Governance and Audit Committee when it last considered the issue in October 2020.

11 Work Programme 2020-2021

99 - 102

The Committee will consider a report setting out the current Work Programme 2020-2021 for the Governance and Audit Committee.

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

19 January 2021

Present:- Councillor Paul Dundas, Councillor Sam McCarthy,
Councillor Chris Pearson (Chairman), Councillor Dennis
Willets, Councillor Barbara Wood

Substitutions: Councillor Nick Cope for Councillor Nick Barlow

Also Present: - Councillor Nick Barlow
Councillor Tina Bourne
Councillor Chris Hayter
Councillor Theresa Higgins
Councillor Mike Hogg
Councillor David King

239. Minutes of the previous meeting

RESOLVED That the minutes of the meeting held on 20 October 2020 be confirmed as a correct record.

240. Annual Audit Letter 2019/20 / Redmond Review Update

Councillor Pearson explained that the Committee had taken the decision to depart from the order of items in the published agenda in order to deal with any confidential matters arising from the Colchester Commercial Holdings Ltd (CCHL) Business Plans 2021 – 2024 report at the end of the meeting. The first item of business to be considered by the Committee was therefore the Annual Audit Letter 2019/20.

Paul Cook, Head of Finance, attended the meeting to present the report and assist the Committee with their enquiries. The Committee heard that the Annual Audit letter was the next stage in the process of the approval of accounts which had been dealt with at the last meeting of the Committee. The Annual Audit letter was a letter from the Council's external auditors, BDO, which summarised the findings of the external audit. Within the 2019-2020 audit, it was believed that less than fifty percent of the audits had been completed within the regulatory timetable, in spite of the extension of the timetable from the end of July 2020 to the end of November 2020. As a result of this, the Ministry of Housing, Communities and Local Government (MHCLG) commissioned a review by Sir Tony Redmond, and the findings from the review were set out in the report, together with MHCLG's response. Paul advised the Committee that it was considered likely that the timescales would be altered again next year,

with the final date likely to be 30 September. He also commented that it was anticipated that the fees charged by external audit companies were expected to rise significantly, although the £60,000 currently paid by Colchester Borough Council did not represent a significant expense in the context of the whole budget. Discussions were ongoing with BDO in relation to the fees, and an increase was likely as the Council was now audited in a group with the Council's commercial companies.

Councillor Willetts enquired why there were difficulties for the auditor in valuing the Council's pension liability due to the Coronavirus pandemic. In response, Paul Cook offered his opinion that the auditors were being guarded in their valuations as it was possible that the long term impact of covid on the economy may lead to the valuations changing significantly.

Councillor Pearson praised staff for their hard work in delivering the completed Audit Letter.

RESOLVED that the contents of the 2019/20 Annual Audit Letter and the potential changes to the audit process as a result of the Redmond review be noted.

241. Mid-Year Internal Audit Assurance Report 2020/21

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with their enquiries. The Committee heard that the Council had recently moved to a new internal audit provider TIAA who had provided a detailed report in a new format summarising the audits that have been carried out, together with a summary of work completed against the plan for the year, and some of the current key issues in the general audit environment.

Hayley advised the Committee that there had been ten audits carried out in the first half of the year, which was slightly less than usual, but given the current pandemic and the move to a new internal audit provider, this was considered successful. Of the ten audits carried out, seven had received a 'substantial assurance' rating, and Hayley explained that under the new internal auditors used slightly different terminology compared to the previous internal auditors, and a substantial assurance rating was now the highest that could be obtained. The other three audits had achieved a 'reasonable assurance' rating.

Fiona Dodimead, TIAA, addressed the Committee to introduce herself as the Head of Internal Audit for the contract, and outlined the composition and structure of the company and the support that would be offered to the Council. The Committee heard that the internal audit work was being carried out remotely, and this process was working very well with resources allocated to all internal audits until the end of the year, subject to any impact that Coronavirus may have on staffing levels.

Councillor Willetts noted that he was pleased to see that all the reports had better than 'limited assurance' ratings, and there were no 'priority one' recommendations, which he felt showed that the Council's control systems were in fine working order. Fiona Dodimead confirmed that there were excellent control systems in place and

that previous recommendations had been implemented, and the Council's approach was very pleasing to see.

RESOLVED that the internal audit activity for the period 1 April 2020 to 30 November 2020 be noted.

242. Interim Review of the Annual Governance Statement Action Plan

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with their enquiries. The Committee heard that every June a review was carried out of the governance arrangements for the previous financial year which forms part of the information for the Statement of Accounts. As part of this review, recommendations were made on governance arrangements that would be amended or tightened, and the Committee were directed to the three items that had been highlighted in the Annual Governance Statement, and the actions that had been taken as a result of this.

The Committee had no further comments or questions in relation to the report.

RESOLVED that the work undertaken to implement the current Annual Governance Statement action plan be noted.

243. Risk Management Progress Report

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with their enquiries. The Committee were reminded that they were required to consider a report twice a year which set out the action that had been taken with regard to managing risk, and giving them an opportunity to consider and comment on the Council's Strategic Risk Register. Much of the work undertaken this year had been in response to the Coronavirus pandemic, as emergency planning and health and safety functions were part of the Framework, however, work had also been undertaken to revise the format of the Strategic Risk Register with a view to strengthening risk management processes. One of the key changes made to the Strategic Risk Register was to reduce the number of risks featured, introducing pre-mitigation and post-mitigation risk rating scores. Control actions assigned to the risks were designed to be both achievable and measurable. The Committee heard that the advent of online meetings had enabled the risk matrix to be colour coded using a traffic light system, making it much easier to see where high level risks were.

Councillor Pearson commented that the new format of the risk matrix did make it easier to assess the current position.

Councillor Cope enquired whether there were any risks recognised with regard to social media usage, and Hayley explained that social media was not classified as a strategic risk for the Council, however, she did concede that social media did potentially present a concern with regard to the security of data and how social media was used. Social media was addressed as part of the wider risk associate

with information technology (IT), and the Council took steps to ensure that appropriate social media platforms were used, and although social media did not feature on the Strategic Risk Register, it was included in the Operational Risk Register for Corporate and Improvement Services.

Councillor Willetts highlighted an item from the Risk Register which mentioned the personal liability of Officers and Members, and wondered whether this reference was just to a corporate liability or actually referred to personal liability following compliance failures. Hayley McGrath explained that the reference was made in respect of compliance with legislative responsibilities which concerned the Council such as health and safety. She further explained that during the normal course of Council business, Members should not incur any personal liability, but that issues of personal liability could arise when Members took on responsibility as Board Members for the Council's commercial companies. The Council had obtained insurance against this risk, but had to recognise that there was a possibility for personal liability in carrying out some duties.

Councillor King, Portfolio Holder for Business and Resources, addressed the Committee and explained that he considered the Strategic Risk Register was a real sign of strength of the Council, facing a period of sustained pressure due to the Coronavirus pandemic and the related budgetary concerns.

Councillor Pearson said that although there were four or five areas of high risk, actions taken had mitigated these, with the single exception of Covid-19, which was the one area which was almost impossible to significantly mitigate the associated risks.

RESOLVED that the contents of the report be noted.

244. Treasury Management – Annual Review 2019/20

Paul Cook, Head of Finance, attended the meeting to present the report and assist the Committee with their enquiries. The Committee were advised that this report would normally have been presented earlier in the year, but that a delay in completing the external audit had prevented this. Paul also advised that a key component of treasury management was training for Members, and that this had been organised to take place in the coming month and an invitation would be circulated to all Councillors in respect of this. The Committee heard that the Public Works Loan Board (PWRB) rates had been volatile during the last period, and had been increased by 1% in October 2019 as a deterrent against Authorities who were borrowing to make commercial investments, which was not something that the Council did. The increased rate had been removed by MHCLG for general fund borrowing in October 2020, and the current rates for 25 year maturity loans were 1.91%, which Paul considered represented good value. Paul confirmed that Council borrowing had been well within the limits set due, in part, to some delays in capital projects.

RESOLVED that the contents of the report be noted.

245. Treasury Management Strategy - Mid Year Review Report 2020/21

Paul Cook, Head of Finance, attended the meeting to present the report and assist the Committee with their enquiries. The Committee heard that the Treasury Management Strategy for 2021-2022 onwards was to be presented to Cabinet, as well as Scrutiny Panel as part of their review of the budget. Paul advised that the Council's borrowing had been considerably lower than expected, with the effects of the Coronavirus on capital projects being the main cause of this. The Council had kept within treasury indicators, and a reduced lack of borrowing had meant that internal funds had been used, with attendant savings on interest costs.

Councillor King, Portfolio Holder for Business and Resources, addressed the Committee and expressed his thanks to Officers for their hard work during an exceptionally difficult period. Councillor Pearson supported these sentiments, and offered his thanks to Officers and Councillor King for their efforts in keeping Members up to date on the impact of the Covid-19 virus on treasury management.

Councillor Willetts asked what advice was available to the Council in relation to the medium term borrowing rates which were crucial to forward financial planning. He noted that it was anticipated that the Council was approaching a period of negative interest rates, and questioned the impact that this would have on income which had previously been generated through loans to other Authorities. He raised the issue of the volume of quantitative easing which had been undertaken by the government to support the economy over the past year, commenting that such activity would normally be accompanied by a rise in interest rates and sought assurances that these factors had been considered when considering where the Council's money would come from in the medium term, and at what cost.

By way of response, Paul Cook explained that the Treasury Management Strategy for 2021-2022 did contain plans to address the issues raised, supported by forecasts provided by LINK concerning future inflation and interest rates. The position over the past year had been complicated by the volume of money that had been moving through the Council in terms of business grants which had been paid out very quickly and numbered in the tens of millions of pounds, but it was hoped that future normality would be attained making future planning easier.

Councillor Cope asked what the impact of Brexit and the Universal Credit scheme were anticipated to have on treasury management. Paul Cook confirmed that as Brexit had been completed, it now formed part of the forecast together with the impact of Covid-19 and other economic factors. With regard to Universal Credit, the Committee heard that there had been a planned transition which had featured in Service Plans, and further details could be made available to the Committee in the future. He further commented that one of the ways that the Council mitigated against the risk of fluctuating interest rates was by adopting a 'long funding' position, with most loans in long maturities with only a small proportion maturing each year, providing excellent protection against rising interest rates.

RESOLVED that the mid-year review of the Treasury Management Strategy be approved.

246. Annual Review of Business Continuity

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with their enquiries. The Committee were advised that although the Council did have a Business Continuity Strategy, this did not form part of the Council's Policy Framework, however, it was good practice to seek the approval of the Committee in relation to the Strategy for the coming year and work that had been undertaken. The Committee heard that the primary focus over the past year had been the response to the Covid-19 pandemic, and large volumes of Officer time had been dedicated to this. Hayley confirmed that the Business Continuity Plans that had been in place had been thoroughly tested by the pandemic, but had operated successfully, and were a great assistance to Officers responding to the incident. In addition, work had been undertaken with the Essex Resilience Forum to produce county-wide plans such as flood plans and major incident plans. Emergency Planning training had also been provided via virtual sessions, and the Council had been able to participate in large scale planning exercises.

Councillor Willetts noted the increase in staff working from home due to the pandemic, and enquired what steps had been taken to ensure that the Council was able to continue to function in the future with staff continuing to work at home. Councillor Willetts noted that in his opinion the Council appeared to be dependent on Microsoft cloud storage, and enquired whether there were any assurances that normal service operation would be possible in the event of the loss of this cloud based service. In response, Hayley advised that although the advent of home working had been difficult initially due to the scale of the response required to support both Officers and Members, the benefits of the ability to work flexibly were now being seen across the organisation. She explained that in the past, one of the biggest business continuity issues had been the potential loss of a building and the impact on service delivery that this would have, but that this concern had been largely mitigated by the success of working from home. With regard to the loss of cloud based services, Hayley confirmed that there were business continuity plans to address this, including disaster recovery plans to ensure that if a service was lost, information could still be accessed and rebuilt.

In response to a question from Councillor Goacher, Hayley confirmed that Officers with particularly poor internet connections had been assisted with the provision of 'dongles' which boosted the connection to enable them to work remotely, in addition to providing new and improved laptops to all staff.

Councillor King assured the Committee by advising on the work that had been undertaken by the Human Resources team at the Council to ensure as far as

possible that the mental health of staff was cared for as they were working from home.

RESOLVED that the Business Continuity Strategy for 2021 be endorsed.

247. Increase in write-off delegation to £10,000

Dan Gascoyne, Chief Operating Officer, attended to present the report and assist the Committee with their enquiries. The Committee heard that for the last ten years, Officers had been authorised to write off debts of up to £5,000, and they were now being asked to consider recommending raising this limit to £10,000 to remove the necessity of referring debts of up to this amount to the Portfolio Holder for approval. Dan confirmed that the proposal was not considered to generate any additional risks to the Authority, but simply meant that action could be taken more swiftly when required.

Councillor Dundas asked how many debts were written off in an average year between £5,000 and £10,000

Councillor Willetts confirmed that he was in favour of raising the level as proposed, but enquired whether decisions taken to write off debts under the new limit would be formal decisions that could be seen and questioned by Councillors. Dan Gascoyne explained that such decisions were not public, but would still need to be signed off by the Section 151 Officer.

Councillor King, Portfolio Holder for Business and Resources, offered assurances to the Committee that the proposal was designed to remove some authority from him and place it elsewhere in the organisation for ease of administration, and would not make any difference to the operation of the organisation. He offered praise for the work of the award winning Revenue Team, expressing his faith in their judgement, and confirming that the proposed increase was to account for inflationary rises. He further commented that although every effort was made, it was not possible to obtain every penny that was owed to the Authority, and the proposal before the Committee was an administrative measure, and would not lead to less enthusiastic debt collection activities on behalf of the Authority.

Councillor Willetts explained that he was not questioning the judgement of Officers, adding that whenever he had looked into previous debt write-offs, good rationale had been offered for this. He did, however, question the governance aspect of the decision making, commenting that debts written off by Officers of up to £10,000 may be less visible than debts of that amount that had to be written off by the Portfolio Holder.

Councillor Goacher commented that £10,000 was a lot of money, and he queried the circumstances under which a debt of this amount would be written off, and how often this action would be expected to be taken.

Paul Cook, Head of Finance, explained to the Committee the process in place to deal with debts, with Customer Services Team working to collect both Council Tax

and Business Rates and had achieved a high rate of collection in accordance with the Council's Income Management Policy. The current position was that write-offs of up to £5,000 had to be approved by both the Head of Finance and the Customer Services Team Manager, and although this would be considered quite a significant debt in terms of Council Tax, the main area of debt was Business Rates as it was sometimes much more difficult to collect debts when companies had gone into liquidation. He reiterated that although every effort would be made to recover the maximum amount possible for the Council, sometimes this would not be possible, and writing off the debt would be considered at the end of the process when there were no other options available. He explained that because the debt collection process could be a lengthy one, provision was made in the Council's accounts for owed debts, and that it was likely that by the time the decision to write off a debt had been taken, this loss had already been accounted for in the accounts, meaning that the write-off did not represent an additional cost to the Council. The Committee heard that currently, the Customer Services Team were dealing with the payment of Business Grants as well as their normal work, and the increase in the write-off limit would free up time to allow Officers to concentrate on those debts with the greatest chance of recovery. Members were assured that the Head of Finance and the Customer Services Team Manager were presented with lists of debts in batches of approximately thirty to forty that were being requested to be written off, and looked in considerable detail at a sample of approximately fifteen of these to ensure that correct process had been followed, and that therefore any debt that was presented to the Portfolio Holder had received rigorous Officer scrutiny first.

RECOMMENDED TO CABINET a change in the Financial Regulations from April 2021 to increase the write-off limit for officers to £10k, and thereafter to increase in line with the Retail Price Index once inflation justifies a minimum £1k step.

248. Colchester Commercial Holdings Ltd (CCHL) Business Plans 2021 – 2024

This item was introduced by Councillor Higgins, as the Portfolio Holder for Commercial Services, and the Committee heard that Colchester Borough Council had received an award from the Local Government Chronicle for being the Entrepreneurial Council of the Year. She offered her thanks to Officers for their continued hard work under difficult circumstances, and cited the Northern Gateway project as just one example of this. She explained that many of the projects being undertaken by the commercial companies were innovative and aimed to enhance the Council's green agenda and the work being done in respect of the climate emergency, and in spite of the current difficult circumstances would provide a dividend to the Council this year.

Councillor Nick Barlow addressed the Committee in his role as Chairman of Colchester Commercial Holdings Limited (CCHL) and also praised staff for their ongoing hard work over the year, which would lead to a dividend still being provided. He referred to the previous meeting of the Governance and Audit Committee, when the external auditor had commented on the potential conflict of interest between the duties of the Chief Executive who was also the Managing Director of CCHL, and explained that these issues would be discussed at the next CCHL Board Meeting with a view to resolving them fully.

Andrew Tyrrell, Client and Business Manager, attended to present the report and assist the Committee with their enquiries. Andrew explained that the CCLH overall Business Plans were public and contained all necessary information, but that more detail was available to Members in the subsidiary Business Plans which were confidential due to their commercial sensitivity. The Committee received a presentation outlining the role of CCHL, and hear that the Council, as the sole shareholder, was able to completely influence all the companies activities, and align those with the aims of the Council. He commented that the three different commercial companies offered resilience during difficult times, as their markets were affected differently during a crisis such as the current pandemic, enabling cross-subsidisation to enable a profit to be returned.

The Committee heard that due to the difficulties of the past year, the activities of the companies such as estate management, capital projects construction and event planning had been affected negatively in various ways. The events programme had been hit particularly hard with the cancellation of the vast majority of bookings, and building works on the capital projects had been forced to cease for some periods of the year until construction could be safely continued, and delays were still being caused by required safety rules. In spite of the difficulties, some significant milestones had been achieved, including the broadband network which had secured funding and been commenced in the current financial year, and the lockdown conditions had allowed the infrastructure necessary for this to be installed over the summer with little disruption to shops in the area. An upgraded digital Closed Circuit Television System was also installed at this time, and the works were able to be aligned with pavement repairs carried out by Essex County Council.

A further positive had been the commencement of construction on the Northern Gateway 'Walk' and the completion of the sports park which had enabled the rugby club to move to this location. The work that had been commenced on 'The Walk' had incorporated laying the infrastructure for the heat network and ultra-fast broadband, which was made possible through a planned approach and cooperation between the companies. The Northern Gateway Development was described to the Committee as being leisure led, and would be a regionally significant resource for all, featuring sports pitches, an archery range and cycling facilities for all abilities. The themes in the development of encouraging healthier lives and supporting economic recovery were echoes of the Council's own aims, and were enabled by the close alignment of the companies and Council.

Andrew referred to the award received from the Local Government Chronicle, and drew particular attention to a comment made by the judge on Colchester Borough Council's entry, "There is a good blend of governance and accountability" and felt that it was very reassuring that an independent judging panel had offered these comments.

Paul Smith, Group Commercial Director, addressed the Committee to outline the proposed Business Plans. The Committee heard that companies had an extremely close relationship with the Council, and the proposed Business Plans had been formulated in discussions with Senior Management Team, and each of the commercial companies Board of Directors prior to submission to Cabinet in March 2021. Paul outlined some of the services provided by each of the three subsidiary companies, and explained that draft Business Plans were forward looking towards the summer months, when it was hoped that the coronavirus vaccine would allow more normal activity to resume. The Committee heard that Colchester Amphora Trading Ltd (CATL) managed the commercial portfolio, and had recently been able to undertake the provision of housing valuation fees included within the '100 Homes Project'. He explained that CATL was responsible for the delivery of some of the capital projects of the Council, including the Northern Gateway Sports Park. Included in the Business Plan for the coming year were further development of 'The Walk', the new fibre broadband network, community facilities and Town Deal advance works. In addition to these projects, CATL operated the CCTV system in the town which had been upgraded to a very high quality digital system and would be the benefit of increased coverage in the town. CATL also provided the Helpline service, which had been of critical importance during the covid pandemic under difficult circumstances, and had operated with reduced income from the local Clinical Commissioning Group and Essex County Council contribution to income, which had been accounted for in the Business Plan going forward, together with other costs and income which had been adjusted for inflation. The events programme had been devastated by the pandemic, with staff being placed on furlough, but it was hoped that income would gradually improve through the year as larger scale events and weddings were able to be held again. The projection for the coming year erred on the side of caution, with August being targeted as a realistic date for the commencement of events, with the expectation that there would still be some restrictions in place then. Additional expenses were anticipated as all future events would be run on a modern, cashless basis, although it was anticipated that the ability to make use of the Old Library Building would assist with income generation.

The Committee heard that Colchester Amphora Homes Ltd (CAHL) had delivered completed properties at the Creffield Road site, and the Business Plan contained projected assumptions on new strategic completions in the period 2022 to 2024. The garage site income projection had been on a modest based on thirty five new homes being delivered.

Turning his attention to Colchester Amphora Energy Ltd (CAEL), Paul explained that a delay in the planning process had lead to a delay in heat sales, and that the heat network was now projected to make a loss until 2025-2026. The projected loss was

not, however, a significant one, and income from heat sales was expected to rise in line with new housing, commercial units and the medical centre being completed.

Paul outlined to the Committee the projected profit for distribution that was in theory due to be paid to the Council, and explained that this money could be taken as a dividend, repayment of loans or left with the commercial companies to allow them to build up reserves to support development projects and the aims of the Council more effectively in the future. The Committee heard that for the year 2021-2022, the projected profit was very low due to the lack of house sales from Mill Road and the devastated events business. Looking to years two and three of the proposed Business Plans, there was a dramatic shift upwards in the surpluses created as the events business and housing sales returned to normal functioning.

In summary, Paul explained that the three different companies were inward looking technical companies designed to not only support the services of the Council but also to try to grow and be commercial successful beyond that, and in operating in this way there are other ancillary benefits that are generated by working together. The attention of the Committee was drawn to the provision of new housing, where CAHL was committed to delivering 30% affordable homes, in contrast to private developers who were not delivering this target, citing lack of financial viability as the reason.

Councillor Pearson reminded the Committee that the Governance and Audit Committee acted as the Shareholder Committee, and drew the attention of the Committee to the decisions that they were being asked to make around the draft Business Plans for 2021-2024, and the proposed plans for the future.

Councillor Dundas questioned how the companies were guided in their activities between balancing taking a profit-driven commercial approach to projects and prioritising the social or green elements of their work. He leant his support to having a rolling three year Business Plan, particularly given the changes that had been seen in the housing provision since the formation of the commercial companies. Councillor Dundas commented that much of the housing development undertaken had been on Council land, and therefore straightforward to deliver, and he enquired what forward thinking had been done to ensure projects were able to be delivered into 2027 and beyond. He requested clarification on the distinction now drawn in the Business Plans between profits now available for distribution and past dividends.

Adrian Pritchard, Chief Executive of Colchester Borough Council and Managing Director of Colchester Commercial Holdings Ltd, responded to Councillor Dundas and explained that the issues he raised were the subject of debate at CCHL Board level, and also at the Cabinet of Colchester Borough Council. He cited the example of CAHL and explained that the decision to provide 30% affordable housing was entrenched within the company, even though profits of several million pounds could have been obtained had the company functioned in the same manner as a private developer. Turning to CAEL, he stated that there was no intention to make a significant profit out of energy supply via the heat network, and the project was designed to support the Council's 'green' credentials, even though providing power to the Northern Gateway Development could have been achieved more profitably

using fossil fuels. Adrian commented that the activities of CATL were less clearly geared towards supporting the community agenda of the Council, although the events that had been organised were designed to drive up footfall in the town, and raise the profile of Colchester, which would in turn boost the local economy. The events side of the companies was, however, the most driven by commercial principles. Adrian emphasised the continuing need for dialogue around these issues in the future to ensure that as situations changed the correct balance was maintained between commerciality and public sector priorities. Councillor Barlow supported these comments and confirmed that the company parameters and goals were set by the Council in its role as shareholder, and it was up to the Board of Directors of the companies to determine how to deliver those goals, which may be changed at any time in accordance with the wishes of the Council.

Paul Smith explained that when Colchester Northern Gateway was approved, part of the funding agreement was that the money generated from house sales would be used for paying back the loans that were taken out by the Council to fund a significant capital project. Although the accounts of the company would therefore show a profit, the Council may choose not to treat this as a dividend, but treat it as a surplus and use the cash to pay back the funding mechanism that was used to take the Gateway project forward. He felt that it was important to understand that although Amphora was still performing well, the Council may choose in the future to use surplus to repay loans, creating the misconception that the company was returning lower dividends than expected, and this is why the phrase “surpluses for distribution” was now used when referencing the profits of the companies. With regards to the future development opportunities queried by Councillor Dundas, Paul confirmed that the individual Business Plans which were not part of this public meeting, contained detailed information for future intentions.

Councillor Willetts offered his full support for a rolling three year Business Plan, with the Plans being reviewed each year, and he enquired what political direction was being given to the companies with regard to how much profit they could make, noting that areas such as leisure facilities could be run at cost and seen as a community benefit, or run in such a manner that a profit was generated. He made the further point that the Business Plans for the next three years tended to be focussed on the urban areas of the Borough with regard to improving the broadband and CCTV coverage with even larger rural villages seemingly left behind. Councillor Willetts noted that the parking services provided by the Council were one of the largest income generating services, and he wondered whether there was any intention to bring this operation into the companies in the future.

Councillor Higgins explained that the political direction of the companies was tied in with the strategic and political direction of the Council as a whole, and the projects that were being delivered were designed to help and support the community. She cited the examples of provision of 30% affordable housing, and the heat network, and made the point that there was the opportunity to make large profits from these activities, but the Council had chosen not to do so because that was not the way it wished to approach things.

Paul Smith addressed the comments made in respect of broadband and CCTV, explaining to the Committee that grant funding for the full fibre broadband had been obtained and was part of an ongoing project to install infrastructure which currently served north Colchester, but would incorporate south Colchester in the coming years. This infrastructure would then be used by statutory providers to roll enhanced broadband services out to the rural areas in the fullness of time, and this network would also be utilised in the extended provision of CCTV coverage.

Adrian Pritchard confirmed that over the coming financial year, a full review was to be undertaken of the services provided by the Council, with a view to seeing whether it was appropriate for them to be moved into CCHL if it was considered possible to increase the profit made to provide necessary support to the Council's financial position. With regard to the parking service, he explained that North Essex Parking Partnership was composed of a number of Authorities, all of whom would have to agree for the activity to be taken over by a trading organisation, and that income generated by parking was 'ring fenced' and could not be used to cross subsidise other services provided by the Council or for profit.

Councillor Hogg welcomed the Business Plans, in particular the provision of the sports park and affordable housing, but questioned the provision of CCTV and broadband out to rural areas, and whether Officers could see any limitations with this provision and provide an indication of the timescales envisioned.

Councillor Goacher questioned the suggestion that profits generated by CCHL be put back into the companies as reserves, and asked what benefits to the Council this would bring, particularly in the current difficult financial climate. Adrian Pritchard explained that leaving some money in the reserves of CCHL gave the companies some resilience for the future, and obviated the need for them to approach the Council to ask for additional funding if financial difficulties were encountered. He further commented that having some funds in reserves would allow the companies to operate in support of their long term goals without having to continually ask the Council for small sums of money, and that any use of money held within the companies was extremely transparent via the published accounts. Although it was for the Council to make the final decision, Adrian considered that this was the best, cleanest, most transparent way of running the companies. Councillor Barlow confirmed that leaving money in company reserves would be a decision taken by the Council on a financial basis, and that reinvestment of some money was necessary to continue to make profits in the future, and that any use of profits and reserves would be the subject of an ongoing dialogue.

RECOMMENDED TO CABINET that:

1. The draft Colchester Commercial (Holdings) Limited Business Plans for 2021-24, and the subsidiary companies; be agreed.
2. There a shift to a 'rolling' three-year Business Plan period model to replace the set three-year Business Plan period.

3. The achievements of the Council's companies in 2020/21 and the ongoing governance arrangements which are in place be noted.

249. Work programme

23rd March 2021

Report of	Assistant Director Corporate and Improvement Services	Author	Mark Jarvis ☎ 282774
Title	Audit Plan year ended 31 March 2021		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report summarises details of the draft audit plan provided by the Council's external auditors BDO.
- 1.2 The Audit Plan for year ending 31 March 2021 summarises the auditor's assessment of the key financial statement and value for money risks facing the Council and outlines the planned audit strategy in response to those risks. It covers the work that will enable the Auditor to provide
 - An opinion on whether the Council's financial statements give a true and fair view of the financial position as at the 31 March 2021
 - A conclusion on the Council's arrangement to secure economy efficiency and effectiveness
- 1.3 The plan which is attached as an appendix to this report; also sets out the scope of materiality levels for 2020/21 audit, the associated fees, potential changes to the audit requirement the audit team and independent assessment, and key delivery dates.
- 1.4 The outcome of the auditor's work is expected to be reported to this committee on 30 September 2021.
- 1.5 In addition, the audit certification work carried out by our auditors BDO is still being undertaken and any issues will be reported at the next committee.

2. Recommended Decision

- 2.1 To review and agree the Audit Plan for the year ended 31 March 2021
- 2.2 To acknowledge the risk assessment outlined with the audit plan.
- 2.3 To acknowledge the changes as part of the code in relation to best value

3. Reason for Recommended Decision

- 3.1 The Accounts and Audit Regulations require those charged with governance within the Council to review the proposed audit approach and scope for the 2020/21 audit.

- 3.2 The Accounts and Audit Regulations require those charged with governance within the Council to review the proposed audit approach and scope for the 2019/20 audit.

4. Alternative Options

- 4.1 Not Applicable

5. Background Information

- 5.1 This will be the main section of the report and should be started on a new page. Give full details of the background, supporting information and proposals (but not the recommended decision) here. This section is likely to cover a number of pages and may be separated into sub-headings for ease of reading and clarity.

6. Standard References

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

7. Financial implications

- 7.1 The audit plan sets out the external audit fees for 2020/21, which have been included in the Council's budget. There are no changes to the core audit fees or for the certification of grants however it has been agreed that the additional fees for works on the consolidation of the Council subsidiaries are to be included.
- 7.2 For 2019/20 grant claim work, this is still being undertaken and a separate report will be provided in the event of any material issues in relation to the certification of housing benefits subsidy or the housing capital receipts return.

Appendices

Appendix 1 - Audit Plan for year ended 31st March 2021



Report to the Governance and Governance and Audit Committee

COLCHESTER BOROUGH COUNCIL

Audit Planning Report: year ending 31 March 2021

IDEAS | PEOPLE | TRUST



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We have pleasure in presenting our Audit Planning Report to the Governance and Audit Committee of Colchester Borough Council (the 'Council'). This report forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process with those charged with governance.

It summarises the planned audit strategy for the year ending 31 March 2021 in respect of our audit of the financial statements and use of resources; comprising materiality, key audit risks and the planned approach to these; together with timetable and the BDO team.

The planned audit strategy has been discussed with management to ensure that it incorporates developments in the business during the year under review, the results for the year to date and other required scope changes.

This report contains matters which should properly be considered by the Council as a whole. We expect that the Governance and Audit Committee will refer such matters to the Council, together with any recommendations, as it considers appropriate.

We look forward to discussing this plan with you at the Governance and Audit Committee meeting on 23 March 2021 and to receiving your input on the scope and approach.

In the meantime if you would like to discuss any aspects in advance of the meeting please contact one of the team.

Lisa Clampin

11 March 2021



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SCOPE AND MATERIALITY

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This summary provides an overview of the key audit matters that we believe are important to the Governance and Audit Committee in reviewing the planned audit strategy for the Council and the Group for the year ending 31 March 2021.

It is also intended to promote effective communication and discussion and to ensure that the audit strategy appropriately incorporates input from those charged with governance.

Audit scope

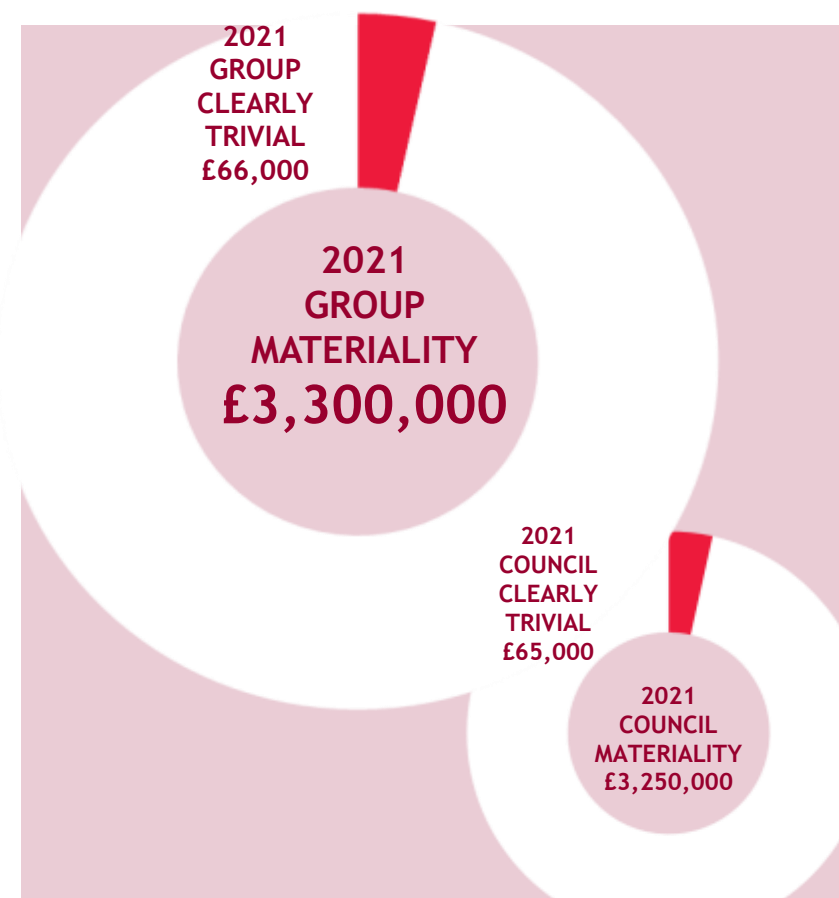
The scope of the audit is determined by the National Audit Office's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements and consolidated entities (together the 'Group'); reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties. The Code of Audit Practice was updated with effect from 1 April 2020 and as a consequence the scope of the use of resources work has changed for the year ending 31 March 2021. More information on this change is included on page 20.

Our approach is designed to ensure we obtain the requisite level of assurance in accordance with applicable laws, appropriate standards and guidance issued by the National Audit Office.

Materiality

Planning materiality for the Council and the Group will be set at 2% of gross expenditure for the year (prior year 2%). This will be revisited when the draft financial statements are received for audit.

Although materiality is the judgement of the engagement lead, the Governance and Audit Committee is obliged to satisfy themselves that the materiality chosen is appropriate for the scope of the audit.



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Our audit strategy is predicated on a risk based approach, so that audit work is focused on the areas of the financial statements where the risk of material misstatement is assessed to be higher, or where there is a risk that the organisation has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We have discussed the changes to the Council, systems and controls in the year with management and obtained their own view of potential audit risk in order to update our understanding of the Group's activities and to determine which risks impact on the numbers and disclosures in the financial statements, or on its arrangements for securing economy, efficiency and effectiveness in its use of resources. We will continue to update this assessment throughout the audit.

The table on the next page summarises our planned approach to audit risks identified.

There has been no significant change to audit risks identified or their classification as compared to the prior year. The following areas will be subject to a controls based approach

- Expenditure
- Housing benefits

All other material areas will be subject to a substantive approach.

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Risk identified	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	Significant	Yes	Substantive	Medium
Revenue recognition	Significant	Yes	Substantive	Medium
Expenditure cut-off	Significant	Yes	Substantive	Low
Valuation of non-current assets	Significant	No	Substantive	High
Valuation of pension liability	Significant	No	Substantive	High
New Housing System (Northgate)	Significant	No	Substantive	Low
Use of resources (to be defined)	Significant	N/A	N/A	N/A



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Independence

We confirm that the firm complies with the Financial Reporting Council's Ethical Standard for Auditors and, in our professional judgement, is independent

Fees

	2020/21	2019/20
Code audit fee	¹ £54,448	£63,138
Total audit fees	£54,448	£63,138

Fees for non-audit services - audit related:

• Certification of housing benefits subsidy claim	£TBC	£TBC
• Certification of pooled housing capital receipts return	£4,750	£4,750
Total non-audit services fees	TBC	TBC
Total fees	TBC	TBC

Fee variances

An extra fee was agreed in the previous year for work undertaken on Colchester Commercial Holdings, which was consolidated for the first time last year, the pension pass through arrangement and work relating to the upgrade of the new eFinancials system.

¹Use of resources fee variance

The audit fee is based on audit scope under the Code of Audit Practice. A new Code is effective for periods commencing 1 April 2020, which significantly increases the work of auditors for reporting on a body's use of resources. We will propose a fee variation in respect of this once additional procedures have been fully scoped.

Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the Council. Where this requires a variation to the scale fee set by PSAA we will seek approval from Public Sector Audit Appointments Limited (PSAA). If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Governance and Audit Committee.



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Key components of our audit objectives and strategy for the Group are highlighted and explained on the following pages.

Audit planning is a collaborative and continuous process and our audit strategy, as reflected here, will be reviewed and updated as our audit progresses.

We will communicate any significant changes to our audit strategy, should the need for such change arise.

Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the National Audit Office.
Financial statements	We will express an opinion on the Council and Group financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2020/21 and other directions.
Statement of Accounts	In addition to our objectives regarding the financial statements, we will also read and consider the other information contained in the Statement of Accounts to consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.
Additional powers and duties	Where necessary we may be required to: issue of a report in the public interest; make a written recommendation to the Council; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
Audit Completion Report to the Governance and Audit Committee	Prior to the approval of the financial statements, we will discuss our significant findings with the Governance and Audit Committee. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.
Use of resources and Auditor's Annual Report	We will provide an annual commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken during the year and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the Council. The Auditor's Annual Report is required to be published by the Council. At the time of drafting this Audit Planning Report the timetable for publication is not yet confirmed.

AUDIT SCOPE ENTITIES, COMPONENTS AND AUDIT RISKS

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As Group auditor we are required to design an audit strategy to ensure we have obtained the required audit assurance for each component for the purposes of our Group audit opinion ISA (UK) 600

A high-level overview of how we have designed the Group audit strategy is summarised below to ensure you have clear oversight of the scope of the work we intend to perform on each entity.

Audit Risks, covered later in this report, are cross referenced to each entity to provide clarity over how these arise within your business and where the focus of the audit work will be.

The clearly trivial threshold for all components has been set at the Group level, being £66,000.



AUDIT SCOPE ENTITIES, COMPONENTS AND AUDIT RISKS 2

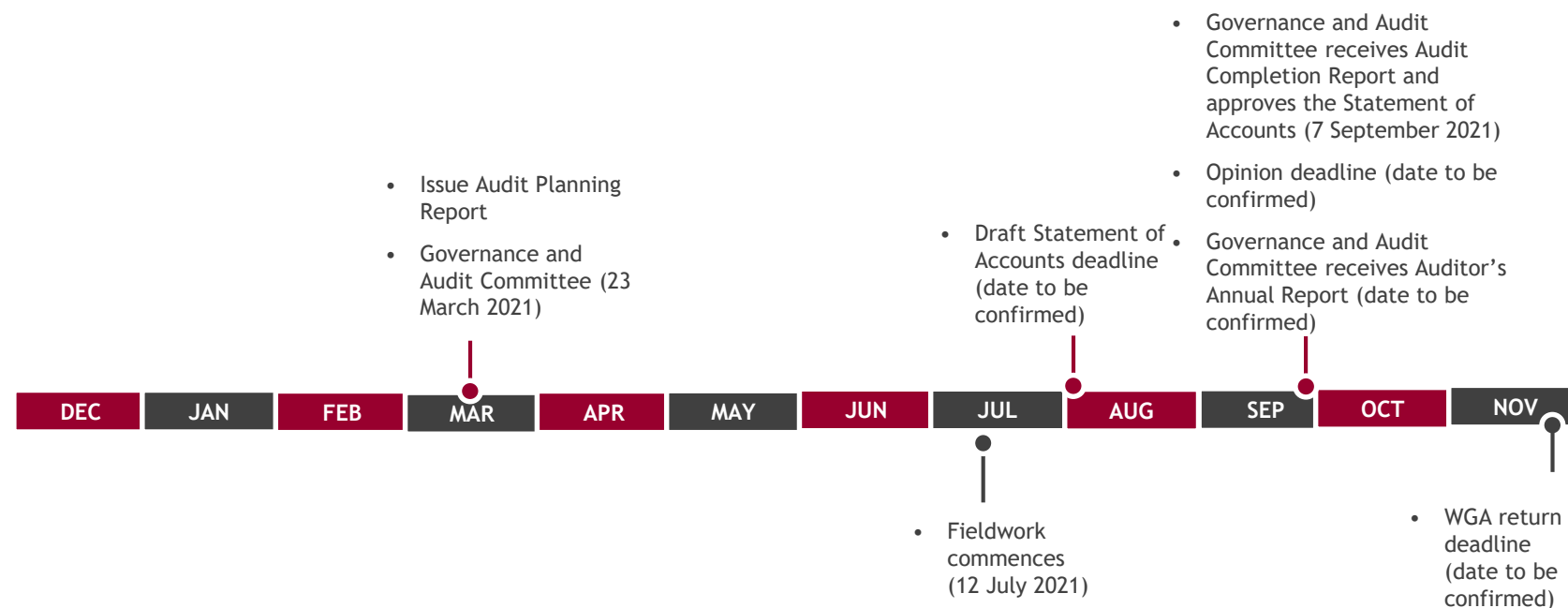
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Entity	Nature of Operations	Audit classification	Reason for classification	Audit Risks	Audit strategy
Colchester Borough Homes Ltd	Provision of housing on behalf of the local authority. (ALMO 100% owned by the Council)	Significant	Size / Risk	N/A	Specified procedures performed by BDO UK
Colchester Community Stadium Ltd	Responsible for the effective running of the entire Community Stadium. (100% owned by the Council)	Non significant component	Size / Risk	N/A	Desktop review to confirm below materiality levels. The Council excludes this component in the group financial statements as it does not make a material difference to the reader of the financial statements.
Colchester commercial (Holdings) Ltd	To enable Colchester Borough Council to operate its direct trading services and development functions within a more commercial culture and environment to address the challenges of ongoing Council-wide budget reductions. (100% owned by the Council) The company owns the following subsidiary companies (100% by shares): Colchester Amphora Energy Limited; Colchester Amphora Homes Limited and Colchester Amphora Trading Limited	Colchester Amphora Trading Limited- Non significant component The remaining ones are not material.	Size / Risk	N/A	Desktop review and other specified procedures.

AUDIT TIMELINE

An overview of the key dates

At the time of drafting this Audit Planning Report, the deadlines for preparing and publishing local authority accounts are subject to consultation, as part of the Government's response to Sir Tony Redmond's review. The consultation proposes pushing back the final accounts publication date to 30 September 2021 and requiring draft accounts to be published on or before 1 August 2021, together with a new requirement for local bodies to provide an explanation on their website if they miss the revised draft publication date.



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Lisa will be transitioning audit engagement lead responsibilities to Aphrodite during this year. As audit engagement leads Lisa and Aphrodite have primary responsibility to ensure that the appropriate audit opinion is given.

In meeting this responsibility they ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that the financial statements are free from material misstatement, whether due to fraud or error, and to report on the financial statements and communicate as required by the ISAs (UK), in accordance with our findings.

Aphrodite will ensure that we have undertaken sufficient work to assess the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources against the guidance published by the National Audit Office.

Aphrodite will be responsible for the overall quality of the engagement and is supported by the rest of the team as set out here.

I will lead on the audit of the Council. I work closely with Lisa and Aphrodite to develop and execute the audit strategy. I will be a key point of contact on a day to day basis and will ensure that timelines are carefully managed to ensure that deadlines are met and matters to be communicated to management and the Governance and Audit Committee are highlighted on a timely basis.

OVERVIEW

Audit risks

We have assessed the following as audit risks. These are matters assessed as most likely to cause a material misstatement in the financial statements or impact on our use of resources opinion and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

Key: **Significant** / **Normal**

Description of risk	Significant risk	Normal risk	Overview of risk
1. Management override of controls			Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.
2. Revenue recognition			Auditing standards presume that income recognition presents a fraud risk. For the Council, we consider the risk of fraudulent revenue recognition to be in respect of the accuracy and existence of revenue grants which have conditions attached.
3. Expenditure cut-off			For public sector bodies the risk of fraud related to expenditure is also relevant.
4. Valuation of non-current assets			The valuation of non-current assets is a significant risk as it involves a high degree of estimation uncertainty.
5. Valuation of pension liability			The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty.
6. New Housing System (Northgate)			The Council has implemented a new Housing System during the financial year. Data migration will be undertaken and therefore there is a risk that balances are not transferred correctly resulting in a material misstatement to the financial statements.
7. Use of Resources			The Code of Audit Practice was updated with effect from 1 April 2020 and as a consequence the scope of our value for money work has changed for the year ending 31 March 2021. We are not yet in a position to report risks of significant weakness under the new Code requirements to those charged with governance and will issue an updated planning report once our risk assessment has progressed. Further information is provided on page 20.

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Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls.

Significant risk	
Normal risk	
Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	
Risk highlighted by Council	

Risk detail

- Management has the ability to manipulate accounting records and override controls that otherwise appear to be operating effectively. We are required to consider this as a significant risk of material misstatement due to fraud.

Planned audit approach

Our audit procedures will include the following:

- Review and verification of journal entries made in the year, agreeing the journals to supporting documentation; we will determine key risk characteristics to filter the population of journals and use our IT team to assist with the journal extraction
- Review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.

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Auditing standards presume that income recognition presents a fraud risk.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Council

Risk detail

Under auditing standards there is a presumption that income recognition presents a fraud risk. For the Council, we consider the risk of fraudulent revenue recognition to be in respect of the accuracy and existence of revenue grants which have conditions attached.

Planned audit approach

Our audit procedures will include the following:

- Test an increased sample of grants subject to performance conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES.

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For public sector bodies the risk of fraud related to expenditure is also relevant.

Significant risk	
Normal risk	
Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	
Risk highlighted by Council	

Risk detail

For net-spending bodies in the public sector there is also risk of fraud related to expenditure. For the Council, we consider the risk of fraud to be in respect of the cut-off of expenditure at year-end.

Planned audit approach

Our audit procedures will include the following:

- Checking that expenditure is recognised in the correct accounting period by substantively testing an expenditure around year-end.

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The valuation of non-current assets is a significant risk as it involves a high degree of estimation uncertainty.

Significant risk

Normal risk

Fraud risk

Assess design & implementation of controls to mitigate

Significant Management estimates & judgements

Controls testing approach

Substantive testing approach

Risk highlighted by Council

Risk detail

Local authorities are required to ensure that the carrying value of land, buildings and dwellings is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date. There is a risk over the valuation of these assets due to the high degree of estimation uncertainty and where updated valuations have not been provided for a class of assets at the year-end.

Planned audit approach

Our audit procedures will include the following:

- Reviewing the instructions provided to the valuer and the valuer's skills and expertise in order to determine if we can rely on the management expert
- Confirming that the basis of valuation for assets valued in year is appropriate based on their usage
- Reviewing accuracy and completeness of information provided to the valuer, such as rental agreements and sizes
- Reviewing assumptions used by the valuer and movements against relevant indices for similar classes of assets
- Following up valuation movements that appear unusual
- Confirming that assets not specifically valued in the year have been assessed to ensure their reported values remain materially correct.

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The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty

Significant risk	
Normal risk	
Fraud risk	
Assess design & implementation of controls to mitigate	
Significant Management estimates & judgements	
Controls testing approach	
Substantive testing approach	
Risk highlighted by Council	

Risk detail

The valuation of the defined benefit obligation is a complex calculation involving a number of significant judgements and assumptions. The actuarial estimate of the pension fund liability uses information on current, deferred and retired member data and applies various actuarial assumptions over pension increases, salary increases, mortality, commutation take up and discount rates to calculate the net present value of the liability.

There is a risk that the membership data and cash flows provided to the actuary at year end may not be accurate, and that the actuary uses inappropriate assumptions to value the liability. Relatively small adjustments to assumptions used can have a material impact on the Council's share of the scheme liability.

Planned audit approach

Our audit procedures will include the following:

- Agreeing the disclosures to the information provided by the pension fund actuary
- Reviewing the competence of the management expert (actuary)
- Reviewing the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data
- Reviewing the controls in place for providing accurate membership data to the actuary
- Contacting the pension fund auditor and requesting confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data
- Checking that any significant changes in membership data have been communicated to the actuary.

NEW HOUSING SYSTEM (NORTHGATE)

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There is a risk that balances are not transferred correctly resulting in a material misstatement to the financial statements

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Risk highlighted by Council	

Risk detail

The Council has implemented a new Housing System during the financial year. Data migration will be undertaken and therefore there is a risk that balances are not transferred correctly resulting in a material misstatement to the financial statements.

Planned audit approach Our audit procedures will include the following:

- We will review the system implementation procedures undertaken by the Council
- We will test to ensure that all data has been transferred over correctly from the old system to the new system.

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New Code of Audit Practice (“Code”)

The Comptroller & Auditor General has determined through a new Code and guidance that the key output from local audit work in respect of value for money (VFM) arrangements is a commentary as reported in the Auditor’s Annual Report, not a VFM arrangements ‘conclusion’ or ‘opinion’. There may be matters referred to in the auditor’s commentary that do not represent significant weaknesses in arrangements and where significant weaknesses are reported we are required to also report recommendations.

As auditors we need to gather sufficient evidence and document our evaluation of arrangements to enable us to draft our commentary under three reporting criteria. These criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** (‘Improving 3Es’) - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

In addition to new assessment criteria and commentary requirements, the scope of the new Code also considerably increases auditors’ requirements for planning documentation and management should expect an increase in requests for discussion and evidence to facilitate this requirement.

Risk of Significant Weakness

We are required to report the results of our risk assessment to those charged with governance, including additional work planned in respect of any identified risks of significant weakness, and to keep our risk assessment under continual review, with any changes again communicated to those charged with governance.

We are working through the implications of the new Code, including our risk assessment and a work programme that addresses risks of significant weakness identified.

Pertinent matters from early discussions with management include how the Council plans finances to support the sustainable delivery of services in accordance with its strategic and statutory priorities (Financial Sustainability), how the Council ensures it delivers its role, engages with stakeholders, monitors performance and acts for improvement within significant partnerships (Improving 3Es) and how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency (Governance). We are however not yet in a position to report any risks of significant weakness.

We will update the Governance and Audit Committee on risks of significant weakness and planned work when it meets next and, subject to risks being identified, will issue an updated version of this report.

GOING CONCERN

Officers are required to make an assessment of the Council's ability to continue as a going concern.

Officers' responsibilities

It is the officers' responsibility to make an assessment of the Council's ability to continue as a going concern to support the basis of preparation for the financial statements and disclosures in the financial statements. This is a requirement of the accounting standards.

This assessment should be supported by detailed cash flow forecasts with clear details of the key underlying assumptions, consideration of available finance throughout the forecast period, and a consideration of the forecast's sensitivity to reasonably possible variations in those assumptions along with any other relevant factors.

The going concern assessment should cover a minimum of 12 months from the date of the officers' approval of the financial statements. However, consideration should also be given to any major events or circumstances that may fall outside this period.

Audit responsibilities

Our responsibilities in respect of going concern are:

- (a) To obtain sufficient appropriate audit evidence regarding, and conclude on, i) whether a material uncertainty related to going concern exists; and ii) the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements
- (b) To report in accordance with ISA (UK) 570.

We will obtain an understanding of the business model, objectives, strategies and related business risk, the measurement and review of the Council's financial performance including forecasting and budgeting processes and the Council's risk assessment process. We will evaluate:

- a) The Council's method, including the relevance and reliability of underlying data used to make the assessment, whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other
- b) The Council's plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances
- c) The adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment and any material uncertainties that may exist.

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Fraud

Whilst the directors of the Council have ultimate responsibility for prevention and detection of fraud, we are required to obtain reasonable assurance that the financial statements are free from material misstatement, including those arising as a result of fraud. Our audit approach includes the consideration of fraud throughout the audit and includes making enquiries of management and those charged with governance.

We have not been made aware of any actual alleged or suspected incidences of fraud. We request confirmation from the Governance and Audit Committee on fraud and a discussion on the controls and processes in place to ensure timely identification and action.

Management believe that there is low risk of material misstatement arising from fraud and that controls in operation would prevent or detect material fraud.

Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with the CIPFA Code of Practice on Local Authority Accounting 2020/21 under the circumstances.

Significant accounting estimates and judgements

We will report to you on significant accounting estimates and judgements. We will seek to understand and perform audit testing procedures on accounting estimates and judgements including consideration of the outcome of historical judgements and estimates. We will report to you our consideration of whether management estimates and judgements are within an acceptable range.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

We will review the reports issued by the Council's internal audit function although we do not plan place reliance on their work in respect of their assessment of control processes. We will use the work of Internal Audit to inform our consideration of the arrangements in place to secure value for money wherever possible.

Laws and regulations

We will consider compliance with laws and regulations. The most significant of these for your organisation includes VAT legislation, Employment Taxes, Health and Safety and the Bribery Act 2010. We will make enquiries of management and review correspondence with the relevant authorities.

Related parties

Whilst you are responsible for the completeness of the disclosure of related party transactions in the financial statements, we are also required to consider related party transactions in the context of fraud as they may present greater risk for Management override or concealment or fraud. Our audit approach includes the consideration of related party transactions throughout the audit including making enquiries of management.

Financial statement disclosures

We will report to you on the sufficiency and content of your financial statement disclosures.

Any other matters

We will report to you on any other matters relevant to the overseeing of the financial reporting process. Where applicable this includes why we consider a significant accounting practice that is acceptable under the financial reporting framework not to be the most appropriate.

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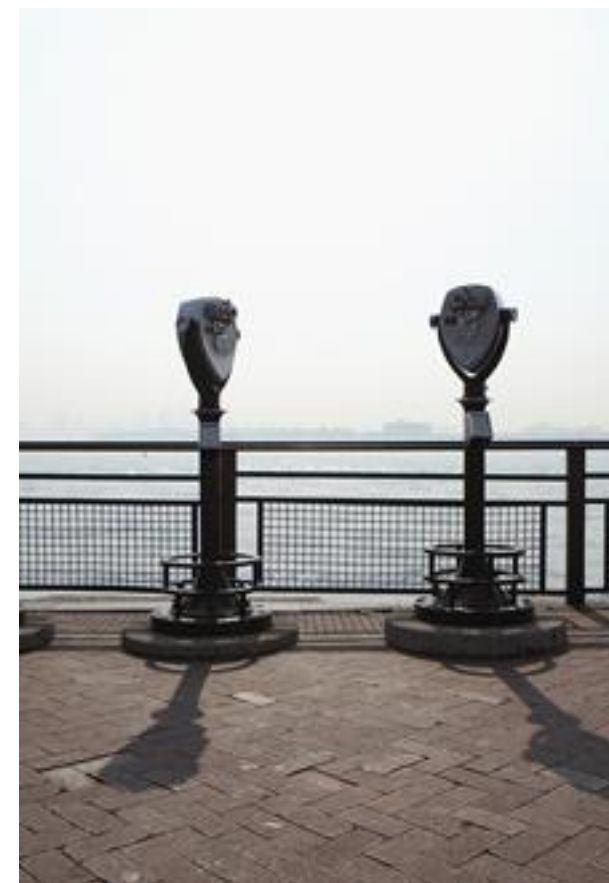
We are required to include in our auditor's report an explanation of the extent to which the audit is considered capable of detecting irregularities (non compliance with laws and regulations), including fraud.

Our audit is designed to provide reasonable assurance about whether the financial statements as whole a free from material misstatement whether due to fraud or error. We design audit procedures to respond to the risk of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and that irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

Our audit work will focus on laws and regulations that could give rise to a material misstatement in the Council's financial statements and may include, where appropriate:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations
- Enquiries of management, those charged with governance and the Council's legal advisers
- Agreement of the financial statement disclosures to underlying supporting documentation
- Review of minutes of Council and Cabinet meetings throughout the year and of correspondence with regulatory authorities
- Written representations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.



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Revision to ISA (UK) 540 means that we may need to update our approach the audit of accounting estimates - including confirmation and documentation of our understanding of the Council's estimation process.

We will need to obtain an understanding of how you control your estimation process including not only the design and implementation of the process, but also the policies and procedures you put in place to satisfy yourself that each step in the process is properly applied, and that the resulting accounting estimates are reasonable.

For significant accounting estimates, particularly those that are complex or where there is a high degree of estimation uncertainty we will also make enquiries about how you:

- Make those responsible for deriving or changing your accounting estimates aware of relevant significant transactions, conditions or events
- Review the outcome(s) of previous accounting estimates and respond to the results of that review
- Identify and comply with the relevant requirements in the applicable financial reporting framework regarding your accounting estimates and related disclosures including how they are affected by complexity and your judgment
- Account for regulatory factors relevant to the Council's accounting estimates; including, when applicable, regulatory frameworks related to prudential supervision
- Identify the need for, and apply, specialised skills or knowledge related to accounting estimates, including with respect to the use of a management's expert
- Identify and address risks related to accounting estimates through your risk assessment process

- Identify relevant methods (including models), assumptions and data and the need for changes in them and from those identified, and select those to apply
- Address the degree of estimation uncertainty in selecting your final point estimates
- Describe in your financial statements matters related to your process for deriving your accounting estimates, and matters related to the degrees of estimation uncertainty underlying your accounting estimates
- Ensure there is oversight and governance in place over management's financial reporting process relevant to accounting estimates.

Under ISA (UK) 540 (revised) our audit approach will involve a more granular risk assessment relating to each significant estimate and separate consideration of the methods (or models) applied in calculating the estimate, the nature, source and reliability of data used and the significance, consistency and appropriateness of assumptions made.

We will also request written representations from you regarding the reasonableness of the methods, significant assumptions and the data used in determining the monetary amounts of accounting estimates, including the related disclosures, in accordance with the CIPFA Code of Practice on Local Authority Accounting 2020/21.

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IT General Controls (ITGCs) are the policies and procedures that relate to many IT applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems. They commonly include controls over data center and network operations; system software acquisition, change and maintenance; access security; and application system acquisition, development, and maintenance.

ITGCs are an important component in systems of internal control, and sometimes have a direct impact on the reliability of other controls.

IT assurance is embedded in our audit strategy to ensure the IT systems provide a suitable platform for the control environment and is undertaken in conjunction with our IT Assurance team. Our testing strategy includes a tailored range of data analytics, system configuration and IT environment testing.

We will also obtain an understanding of the information system, including the related business processes relevant to financial reporting, to include:

- eFinancials
- Capita;
- Northgate
- iTrent and
- Cipfa Asset Module.



FRC ETHICAL STANDARD (DECEMBER 2019)

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In December 2019 the FRC published the Revised Ethical Standard 2019 ('ES'), which is applicable from 15 March 2020. There are some transitional provisions for services and arrangements that are not currently prohibited under the existing Standard. The ES aims to further strengthen auditor independence and enhance confidence in the profession. The table below provides a high level summary of the key headlines as applicable to our audit of the Council.

Key headlines	Impact
The objective, reasonable & informed third party test	Reinforcement that ethical principles take priority over rules. A need to take care where particular facts and circumstances are either not addressed directly by the rules or might appear to 'work around' the rules, or result in an outcome that is inconsistent with the general principles.
Contingent fees	Non-audit services with contingent or success-based fee arrangements will be prohibited for audited entities.
Secondments	All secondments/loan staff to audited entities are prohibited with the exception of secondments to public sector entities.
Recruitment and remuneration services	Prohibition on providing remuneration services to audited entities such as advising on the quantum of the remuneration package or the measurement criteria for calculation of the package. In addition, the prohibition on providing recruitment services to an audited entity that would involve the firm taking responsibility for, or advising on the appointment of, any director or employee of the entity.

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Under ISAs (UK) and the FRC's Ethical Standard we are required, as auditors, to confirm our independence.

We have embedded the requirements of the auditing standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement leads are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement.

This document considers such matters in the context of our audit for the year ending 31 March 2021.

We confirm that the firm, the engagement team and other partners, directors, senior managers and managers conducting the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council and the Group.

We also confirm that we have obtained confirmation that external audit experts involved in the audit comply with relevant ethical requirements including the FRC's Ethical Standard and are independent of the Council and the Group.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

Non-audit services

Details of services, other than audit, provided by us to the Council during the period and up to the date of this report are set out in the fees table on page 7.

Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

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Financial reporting

The Council is expected to have effective governance arrangements to deliver its objectives. To this end, the publication of the financial statements is an essential means by which the Council accounts for its stewardship and use of the public money at its disposal.

The form and content of the Council's financial statements, and any additional schedules or returns for consolidation purposes, should reflect the requirements of the relevant accounting and reporting framework in place and any applicable accounting standards or other direction under the circumstances.

The Council is also required to prepare schedules or returns to facilitate the preparation of consolidated accounts such as HM Treasury's Whole of Government Accounts.

The Section 151 Officer is responsible for preparing and filing a Statement of Accounts and financial statements which show a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2020/21, applicable accounting standards or other direction under the circumstances.

Our audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of materially accurate financial statements.

Use of resources

Councils are required to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at their disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a Governance Statement.

In preparing its Governance Statement, the Council will tailor the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on their arrangements for securing value for money from their use of resources.

OUR RESPONSIBILITIES

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Our responsibilities and reporting - financial reporting

We are responsible for performing our audit under International Standards on Auditing (UK) to form and express an opinion on your financial statements. We report our opinion on the financial statements to the members of the Council.

We read and consider the 'other information' contained in the Annual Report such as the additional narrative reports. We will consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.

Our responsibilities and reporting - use of resources

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

This means that we have regard to relevant guidance issued by the National Audit Office and undertake sufficient work to be able to satisfy ourselves as to whether the Council has put arrangements in place that support the achievement of value for money and to provide an annual commentary on arrangements in the Auditor's Annual Report.

What we don't report

Our audit is not designed to identify all matters that may be relevant to the Council and the Governance and Audit Committee and cannot be expected to identify all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist.



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Those charged with governance

References in this report to ‘those charged with governance’ are to the Council as a whole. For the purposes of our communication with those charged with governance you have agreed we will communicate primarily with the Governance and Audit Committee.

In communicating with the Governance and Audit Committee, representing TCWG of the parent and the Group, we consider TCWG of subsidiary entities to be informed about matters relevant to their subsidiary. Please let us know if this is not appropriate.

Communication, meetings and feedback

We request feedback from you on our planning and completion report to promote two way communication throughout the audit process and to ensure that all risks are identified and considered; and at completion that the results of the audit are appropriately considered. We will meet with management throughout the audit process. We will issue regular updates and drive the audit process with clear and timely communication, bringing in the right resource and experience to ensure efficient and timely resolution of issues.

Audit Planning Report

The Audit Planning Report sets out all planning matters which we want to draw to your attention including audit scope, our assessment of audit risks and materiality.

Internal Controls

We will consider internal controls relevant to the preparation of financial statements in order to design our audit procedures and complete our work. This is not for the purpose of expressing an opinion on the effectiveness of internal control.

Audit Completion Report

At the conclusion of the audit, we will issue an Audit Completion Report to communicate to you key audit findings before concluding our audit opinion. We will include any significant deficiencies in internal controls which we identify as a result of performing audit procedures. We will meet with you to discuss the findings and in particular to receive your input on areas of the financial statements involving significant estimates and judgements and critical accounting policies.

Once we have discussed the contents of the Audit Completion Report with you and having resolved all outstanding matters we will issue a final version of the report.

Auditor’s Annual Report

We will provide an annual commentary on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. The commentary will explain the work that we have undertaken during the year and highlight any significant weaknesses identified, along with any recommendations for improvement. The commentary will also draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the Council. The Auditor’s Annual Report is required to be published by the Council. At the time of drafting this Audit Planning Report the timetable for publication is not yet confirmed.

TEAM MEMBER ROTATION

This table indicates the latest rotation periods normally permitted under the independence rules of the FRC's Ethical Standard.

In order to safeguard audit quality we will employ a policy of gradual rotation covering the team members as well as other senior members of the engagement team to ensure a certain level of continuity from year to year.



Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place after
Lisa Clampin Engagement lead	3	3 Years
Aphrodite Lefevre Engagement Lead	1	5 years
Alison Langridge Manager	3	7 years

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Concept and definition

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):

- Narrative disclosure e.g. accounting policies, going concern
- Instances when greater precision is required (e.g. disclosure of senior officers' remuneration and related party transactions).

International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Calculation and determination

We have determined materiality based on professional judgement in the context of our knowledge of the Group, including consideration of factors such as industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and audit tests
- Calculate sample sizes
- Assist in evaluating the effect of known and likely misstatements on the Group financial statements.

Reassessment of materiality

We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.

Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope.

Definition of materiality under IFRS

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.

You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

Unadjusted errors

We will communicate to you all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.

We will obtain written representations from the Governance and Audit Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.

We will request that you correct all uncorrected misstatements. In particular we would strongly recommend correction of errors whose correction would affect compliance with contractual obligations or governmental regulations. Where you choose not to correct all identified misstatements we will request a written representation from you setting out your reasons for not doing so and confirming that in your view the effects of any uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as whole.

NEW ACCOUNTING STANDARDS, AUDITING STANDARDS AND OTHER FINANCIAL REPORTING DEVELOPMENTS

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We would like to draw to your attention the following summary of key changes to standards, regulations and other financing reporting developments, their effective dates and an indication, based on preliminary discussions with management and our sector understanding, of their possible effect on the annual report.

New Accounting Standards, Auditing Standards and Other Financial Reporting Developments	Expected effect				Effective for periods beginning on or after 1 January	
	None	Low	Medium	High	2020	2021
Amendments to IFRS 3 <i>Definition of a business</i>		●				●
Auditing standard - audit of accounting estimates						
Increased emphasis on understanding management's processes, systems and controls estimation uncertainty and financial statement disclosures			●		●	
Auditing standard - going concern						
Increased emphasis on evaluation of management's assessment of the entity's ability to continue as a going concern			●		●	
Auditing standard - audit reports						
New audit report format with updated conclusion on going concern and reference to irregularities, including fraud			●		●	

AQR RESULTS 2019/20

BDO Performance

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Overview

The FRC released their Audit Quality Review results for the 7 largest accountancy firms in July 2020 for the review period 2019/20. A copy of all of the reports can be found on the [FRC Website](#).

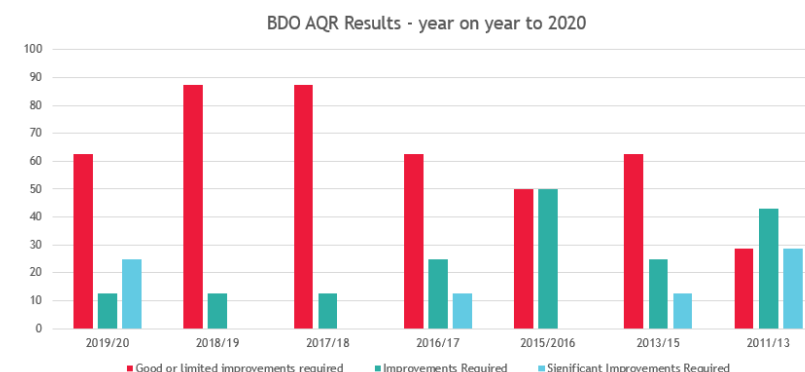
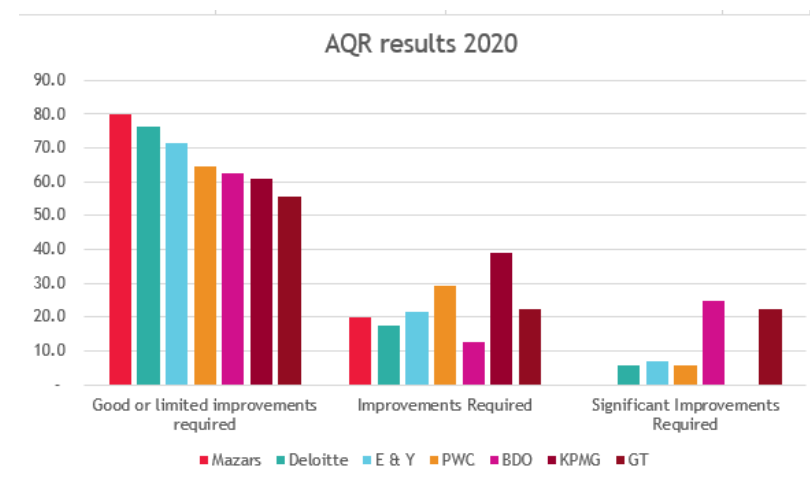
Firm's Results

The graphs demonstrates our performance in relation to the other 6 largest firms. Having topped the table for audit quality for the last two consecutive years, we are disappointed to see a decline in our results. These scores remind us we must remain committed to continuous improvements and, having carefully considered the root causes of the AQR findings, we are in the process of implementing detailed action plans where required. We have made a number of enhancements to our Audit Quality Plan to address these issues to drive our key focus of a continuous improvement in audit quality including highlighting how we will make changes to our root cause analysis process which plays a key role.

We would encourage you to read our report which includes:

- Details of the root cause analysis we have been undertaking to address issues raised
- The actions we have/are undertaking to address the issues raised by the AQR
- A number of areas of good practice the AQR review team identified whilst undertaking their review.

More details will be included in our Transparency Report which will be available on our www.bdo.co.uk



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Considerations of how to address:

- Behavioural matters
- Operational changes required
- Cultural matters to be escalated

Responses may include:

- Updating operational practices
- Embedding matter into performance review and development process for staff
- Staff coaching
- Amending audit approach firm-wide or for specific assignments
- Targeted messaging to relevant audiences (e.g. grades, ranks or sector specialists)
- Updated guidance material

Responses inform training plans

Live files require:

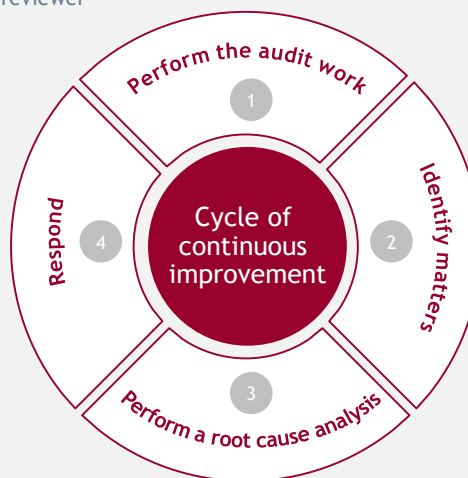
- Review of audit quality by senior team members

and may require:

- Hot review of financial statements
- Technical support for audit work
- Appointment of engagement quality control reviewer

Completed files may be subject to:

- Internal Audit Quality Assurance Review
- External review from AQR or QAD



Nature of matters may be:

- Client/assignment specific issues
- Common findings/repeating issues that have need to be tracked and/or escalated
- Firm-wide matters
- "Best practice" examples

May be at Individual assignment or 'whole-firm' level:

- Identification and assessment of root cause
- Productive process to learn from matters and improve quality
- "Best practice" examples treated in the same way as "issues"
- Consideration of appropriate responses to issues identified, proposed and escalated as appropriate

FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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23 March 2021

Report of	Assistant Director Corporate and Improvement	Author	Darren Brown 📞 282891
Title	Financial Monitoring Report – April to December 2020		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets. The financial position is summarised as follows:-
- The General Fund is showing a net overspend against services of £3,897k as at period 9. This includes less expenditure of £1,585k and less income of £5,482k, compared to profiled budgets.
 - The current forecast outturn position for the General Fund is a net overspend of £9.283m, before Government funding and the use of reserves.
 - The Housing Revenue Account is showing a net underspend of £330k as at period 9, and is forecast to be on budget at the year-end.
- 1.2 Assistant Directors and their budget holders have undertaken a thorough review of the financial position for their services, which is reflected in this report. In addition, SMT continues to monitor the budget position on a monthly basis. The final end of year position will be reported for scrutiny purposes and the impact of this on balances will be considered by Cabinet as part of the budget strategy for 2022/23.

2. Action required

- 2.1 The Committee is asked to consider the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first nine months of 2020/21, and to note the forecast budget overspend of £9.283m on the General Fund before Government funding and the use of reserves.

3. Reason for scrutiny

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

4. Background

- 4.1 This report reviews the Council's overall position based on profiled income and expenditure for the nine months to 31 December 2020, and also shows a projection of the outturn figures for the full year. All the information presented in respect of General Fund Services shows the position based on net 'direct costs'. The review of the Housing Revenue Account is different in that it shows all costs, both direct and indirect.
- 4.2 At its meeting on 3rd June 2020, Cabinet considered the impact of Covid 19 (Coronavirus) on the Council's finances, for the 2020/21 budget and the Medium Term Financial Forecast to 2024/25. Updates have been provided subsequently at the Cabinet meeting of 8th July and via all Member briefings delivered during August, and throughout the 2021/22 budget setting cycle. Members therefore are fully aware of the significant impact the pandemic has had on the Council's finances, which are reflected within this report.

Summary Position

- 4.3 The projected outturn for the General Fund is currently a net overspend of £9.283m, before Government funding and the use of reserves. This is primarily a direct result of the Coronavirus pandemic, with a significant proportion being related to lost income as a result of national lockdown measures as shown in paragraph 4.11. The Housing Revenue Account forecast outturn position is currently to be on budget.
- 4.4 The General Fund position is set out in more detail in the following paragraphs and the HRA position explained in paragraphs 4.20 to 4.24. Budgets carried forward from 19/20 are now included in the schedules within this report, and as such will be monitored as part of the overall position.

General Fund – Position to 31 December 2020

Service Budgets

- 4.5 Appendix A shows the current budget variances and forecast outturn variances by Service Group. The net position shows a variance against profiled budget for General Fund Services (excluding Benefits, NEPP & JMC) of £3,897k (adverse). This comprises total expenditure being £1,585k lower than expected and total income being £5,482k lower than expected. Appendix B breaks these variances down by subjective group.
- 4.6 There are changes expected to expenditure and income variances between period 9 and the year-end, primarily as a result of the national lockdown restrictions due to Covid and the significant impact on those income levels, as well as a number of factors such as:
- Income either decreasing, or not continuing at the level to date for the remainder of the financial year.
 - The profiling of budgets and the impact of changes in spending and income patterns.
 - Areas where adjustments will take place as part of the closure of accounts (for example where income has been received in the current year but relates to the next financial year).
 - Budgets currently unspent for which a carry forward at year-end may be identified

Income

- 4.7 Income to the Council is below targets in most areas to date, but most notably in Parking, Sport & Leisure and Museums. Clearly this is as a result of the Coronavirus lockdown. However, income levels are above profiled budgets within Planning and Domestic Waste.

Expenditure

- 4.8 There are underspends against profiled budgets in a number of services areas, predominantly within premises, supplies & services, employees and transport costs. This can be as a result of profiling of budgets as well as timing of expenditure.

- 4.9 Benefits payments are not shown in Appendix A & B to avoid distorting the reported position for Service Groups. It is currently projected that this area will be on budget at year end, when the final subsidy claim is paid. Furthermore, NEPP and JMC variances are not included in the Appendix A & B totals, given these areas are ring-fenced and are reported to the relevant joint committee.

Outturn Forecast / Risk Areas

- 4.10 This is the third formal review this year of the 2020/21 budget position, and the current forecast outturn is a net overspend of £9.283m, before Government funding and the use of reserves.

	£'000	
Service budgets	9,083	See paras. 4.11 to 4.13 and Appendix D
Technical / Corporate Items	200	
Potential net overspend	9,283	

Service Budgets

- 4.11 The following table sets out the forecast outturn for all service areas, with outturn variances. This shows a net forecast overspend of £9,083k. The largest areas contributing to the net position are;

- Car Parking: Income shortfall of £2,390k.
- Sport & Leisure: Net income shortfall of £3,688k from Leisure World and NGW Sports site.
- Neighbourhood Services: £175k Vacancy factor pressure, £238k overspend on Waste service staff costs, £607k paper collection/recycling pressure, overspend on Recycling kit of £137k, £195k loss of income in trade waste.
- Commercial & Investment Properties: Net income shortfall of £531k.
- CCHL Dividend: Reduced dividend of £302k.
- Museums: Income shortfall of £367k.
- Council Tax Sharing Agreement shortfall of £210k
- HB income recovery shortfall of £200k
- Additional Coronavirus related costs within services.

Service	Forecast outturn		
	Expenditure	Income	Net
	£'000	£'000	£'000
Corporate & Improvement (incl. CDC)	135	289	424
EMT (including additional Coronavirus costs)	210	(31)	179
Community	(156)	641	485
Customer	(245)	26	(219)
Environment	1,162	2,594	3,756
Place & Client	(1,112)	5,570	4,458
Total all services	(6)	9,089	9,083

- 4.12 As the above table shows, the net overspend currently forecast is virtually all due to income losses of £9,089k, the majority of which are as a direct result of the Coronavirus pandemic. As reported to members during the year and including as part of the 2021/22 budget setting process, the main income earning areas this relates to are car parking, sport & leisure, commercial & investment properties and museums, which have been impacted upon by Government lockdown restrictions.

Appendix C

- 4.13 Appendix C shows the original Council budget, the reforecast budget for Coronavirus (as per the June Cabinet report), and forecast outturn as at Quarter 3. The purpose of this table is to bring together the overall revenue budget, given the range of assumptions and plans that are in place to fund the budget gap in 20/21. This therefore shows the impact of Government funding and the required use of reserves.

The reason for the difference between the forecast position in Table 1 and Appendix C, is that the former is measured against the Original Budget agreed by Cabinet in January 2020, and the latter is measured against the reforecast budget considered by Cabinet in June 2020.

The main changes are that we are showing less use of reserves of £4.89m in 20/21 now, primarily because of Government support of £4.9m for Covid costs, funding income losses and the furlough scheme

Corporate / Technical Items

- 4.14 The budget includes a number of corporate and technical budget areas such as net interest earnings, the provision to repay debt, pension costs and some non-service specific grants. There is a £200k potential variance forecast for the year end, due to the overpayment debt collection being adversely affected by the economic impact of Covid-19; the expansion of Universal Credit moving the debt away from clawback and the ageing of the whole HB debt making it harder to recover.
- 4.15 Appendix D sets out details of all forecast variances against service budgets at the year-end totalling £9,083k. To provide some context on the scale of the variances shown in Appendix D, a percentage value has been included within the comments which shows the proportion of the relevant budget that it represents. For example, an underspend due to vacant posts or the vacancy factor would be expressed as a proportion of the total employees budget for that area.

Summary position and action proposed

- 4.16 The forecast outturn shows a potential net overspend of £9.283m before Government funding and the use of reserves. The impact of Coronavirus on the Councils finances is continually being reviewed, and further more detailed work will continue to be undertaken during Quarter 4 to ensure forecast outturn positions are robust, including those income areas where they have been particularly impacted by Coronavirus and the associated lockdown.
- 4.17 The position (net overspend on services) is broadly in-line with the original estimated position at the start of the Coronavirus pandemic. Even at this stage in the financial year there are still a number of assumptions under-pinning the forecast which could easily change, especially as we are currently in the midst of the 3rd national lockdown, and it is unclear when/if these restrictions will be lifted in the current year.
- 4.18 The financial position for 2020/21 was considered as part of the proposals set out in the 2021/22 budget and it was reported that for the purpose of assessing any impact on balances the outturn position assumed the unplanned use of reserves to be £1.000m. Latest forecasts indicate this is still broadly the case.
- 4.19 Assistant Directors and their budget holders have undertaken a thorough review of the financial position for their services, which is reflected in this report. In addition, SMT continues to monitor the budget position on a monthly basis. The final end of year position will be reported for scrutiny purposes and the impact of this on balances will be considered by Cabinet as part of the budget strategy for 2022/23.

Housing Revenue Account

- 4.20 The Housing Revenue Account (HRA) is a ring-fenced account which is affected by a number of variable factors. At the end of December 2020, the HRA is showing a net underspend of £330k compared to the profiled budget for the same period. This is primarily due to lower expenditure on Premises costs of £604k and Supplies and Services of £73k, higher expenditure of £163k on third party payments and £156k less income than budgeted.

Position to date

- 4.21 Premises related costs are showing an underspend of £604k as at the end of December 2020. Overall, there is a net underspend of £261k on Repairs and Maintenance, which primarily relates to the timing of expenditure on repairs and maintenance of pumping stations, Homeless Persons Units and other delegated areas. There are further underspends of £37k on Council Tax on void properties, and £91k on Grounds Maintenance budgets, £185k on Utility and Water costs and £33k on Cleaning Contract costs which relate to the timing of expenditure.
- 4.22 Supplies & Services costs are underspent by £73k at the end of December. There is a general underspend across most budget headings, which primarily relate to the timing of expenditure, the main area being IT costs of £100k. Third party payments are overspent by £163k, reflecting the funding provided in the CBH management fee to pay for the increased in-year employer pension contributions CBH now have to pay following the schemes actuarial review.
- 4.23 We have received £156k less income at the end of December 2020. This primarily reflects the net impact of rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the level of Right to Buy sales, along with the timing of acquisition and additions to our housing stock.

Forecast Outturn

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

5. Standard References

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

6. Strategic Plan References

- 6.1. The priorities within the Strategic Plan are reflected in the Medium-Term Financial Forecast, albeit having been reviewed to deal with the impact of the Coronavirus. This 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 2020/21 revenue budget was prepared in accordance with the Strategic Plan's priorities, in the context of the Council facing growing financial pressures. Budget monitoring enables the financial performance against these priorities to be assessed.

7. Financial Implications

- 7.1. As set out above.

8. Environmental and Climate Change Implications

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

9. Risk Management Implications

- 9.1. Risk management is used throughout the budget cycle, and this is reflected in the strategic risk register. The 2020/21 revenue budget report that was approved by Council in February 2020 took into consideration a number of potentially significant risk areas that had been identified during the budget process. In addition, Assistant Directors identify a number of both positive and negative risk areas during the year.
- 9.3 Extensive modelling work has been undertaken throughout the year to understand the impacts and variables arising from the crisis. Further government support should be provided in the next financial year and will be sought by lobbying and in discussions with MHCLG but is uncertain.
- 9.4 Leisure and commercial income is very dependent on events beyond the Council's control, on the easing of lock-down, the return of consumer confidence, and impacts due to the severity and duration of the macro-economic downturn and recovery.
- 9.5 Modelling has been undertaken with service managers to assess the potential range of impacts before adopting the assumptions reflected within the report.
- 9.6 All the above and other significant uncertainties and risks will have to be managed. Further change is likely to budget assumptions and the actions needed to ensure a balanced budget.

Background Papers

None

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

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core		(8)	(114)	(122)	18	210	228
	Total	(8)	(114)	(122)	18	210	228
Executive Management Team							
	EMT	(29)	-	(29)	(38)	-	(38)
	Coronavirus	248	(31)	217	248	(31)	217
	Total	219	(31)	188	210	(31)	179
Community							
	Assistant Director Communities	(1)	-	(1)	-	-	-
	Licensing & Food Safety	(40)	48	8	(43)	97	54
	Community Safety	(6)	-	(6)	(1)	-	(1)
	Environmental Health Services	(5)	16	11	11	12	23
	Building Control	(65)	51	(14)	(84)	95	11
	Community Initiatives	(30)	(1)	(31)	5	-	5
	Private Sector Housing	(27)	(10)	(37)	(35)	25	(10)
	Bereavement Services	(51)	11	(40)	10	10	20
	Cultural Services	(28)	25	(3)	(17)	35	18
	Colchester Museums	(21)	299	278	(2)	367	365
	Subtotal	(274)	439	165	(156)	641	485
	Colchester & Ipswich Museums	(115)	115	-	(55)	108	53
	Total	(389)	554	165	(211)	749	538
Customer							
	Assistant Director Customers	1	-	1	-	-	-
	Accounts & Debt	(15)	-	(15)	19	-	19
	Local Taxation & Business Rates	(3)	96	93	-	55	55
	Benefits & Hub	(48)	(16)	(64)	(73)	(16)	(89)
	Contact & Support Centre	(33)	-	(33)	(59)	-	(59)
	Electoral Services	(117)	(14)	(131)	(86)	(13)	(99)
	Customer Digital & Systems	(28)	7	(21)	(34)	-	(34)
	Land Charges	(20)	-	(20)	(12)	-	(12)
	Subtotal	(263)	73	(190)	(245)	26	(219)
	Benefits - Payments & Subsidy	3,437	(3,364)	73	-	200	200
	Total	3,174	(3,291)	(117)	(245)	226	(19)
Environment							
	Assistant Director Environment	(5)	-	(5)	(4)	-	(4)
	Neighbourhood Services	136	122	258	1,176	204	1,380
	Car Parking	(37)	1,669	1,632	(10)	2,390	2,380

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
	Subtotal	94	1,791	1,885	1,162	2,594	3,756
	Parking Partnership (NEPP)	233	409	642	203	149	352
	Total	327	2,200	2,527	1,365	2,743	4,108
	Place & Client						
	Assistant Director Place & Client	(1)	-	(1)	1	-	1
	Place Strategy	(7)	(5)	(12)	(38)	-	(38)
	Housing	115	(93)	22	(12)	(17)	(29)
	Planning	64	(173)	(109)	41	(25)	16
	Sustainability & Climate Change	-	(3)	(3)	(2)	-	(2)
	Subtotal	171	(274)	(103)	(10)	(42)	(52)
	<i>Company Related:-</i>						
	Client – Commercial Company	6	(1)	5	9	300	309
	Corporate Asset Management	(196)	(14)	(210)	(18)	-	(18)
	Commercial & Investment	(25)	34	9	50	481	531
	Sport & Leisure	(1,162)	3,513	2,351	(1,143)	4,831	3,688
	Total	(1,206)	3,258	2,052	(1,112)	5,570	4,458
	Corporate & Improvement						
	Assistant Director Corporate & Improvement	(14)	-	(14)	(7)	-	(7)
	Finance	92	-	92	161	-	161
	ICT	(33)	11	(22)	89	-	89
	People and Performance	(76)	39	(37)	(84)	79	(5)
	Governance	(35)	16	(19)	34	-	34
	Communications	(81)	-	(81)	(76)	-	(76)
	Total	(147)	66	(81)	117	79	196
	Total (excl. Benefits, NEPP & JMC)	(1,585)	5,482	3,897	(6)	9,089	9,083
	Total (all)	1,970	2,642	4,612	142	9,546	9,688

Current Budget Variances and Forecast Outturn Variances by Subjective Group

		Position to date			Forecast Outturn		
		Actual	Budget	Variance	Actual	Budget	Variance
	Subjective	£'000	£'000	£'000	£'000	£'000	£'000
	Expenditure						
	Employees	18,031	18,393	(362)	24,083	24,545	(462)
	Premises Related	4,553	5,319	(766)	6,706	6,962	(256)
	Transport Related	1,216	1,423	(207)	2,044	2,050	(6)
	Supplies & Services	5,102	5,547	(445)	8,358	8,214	144
	Third Party Payments	3,682	3,537	145	4,845	4,271	574
	Transfer Payments	269	219	50	293	293	0
	Capital Financing Costs	0	0	0	110	110	0
	Total	32,853	34,438	(1,585)	(1,585)	46,445	(6)
	Income						
	Government Grant	(466)	(452)	(14)	(484)	(463)	(21)
	Other Grants & Reimbursements	(2,288)	(1,978)	(310)	(3,135)	(3,477)	342
	Customer & Client Receipts	(10,558)	(16,358)	5,800	(12,794)	(21,562)	8,768
	Income-Interest	(157)	(163)	6	(205)	(205)	0
	Inter Account Transfers	0	0	0	0	0	0
	Total	(13,469)	(18,951)	5,482	(16,618)	(25,707)	9,089
	Net	19,384	15,487	3,897	29,821	20,738	9,083

Summary showing Original Council budget, revised for Coronavirus and latest forecasts.

	2020/21 Original Budget	2020/21 - Revised Budget (June Cabinet)	2020/21 – P9 Forecast	2020/21 – P9 Forecast Variance
	£'000	£'000	£'000	£'000
Base Budget	20,206	20,206	20,206	0
One-off items	(270)	(270)	(270)	0
Cost Pressures	5,768	5,768	5,768	0
Cost Pressures - Transformation	-	250	250	0
Cost Pressures - Covid-19 - Economic & Income	-	9,392	0	(9,392)
Cost Pressures - Covid-19 - Service Costs	-	500	0	(500)
Cost Pressures - Covid-19 - Recovery	-	333	250	(83)
NSP excluding NHB - revenue	71	71	71	0
NSP excluding NHB - Capital financing	145	145	145	0
Growth Items	55	55	55	0
Savings	(1,848)	(2,348)	(1,848)	500
Change in use of NHB for one off investment	387	(113)	(113)	0
2020/21 Forecast Outturn (Table 1)			9,283	9,283
Corporate Assumption-Commercial/Investment Income & Economic Provision			0	0
Forecast Base Budget	24,514	33,989	33,797	(192)
<i>Funded By:</i>				
Business Rates Baseline	(4,300)	(4,300)	(4,300)	0
SFA	(4,300)	(4,300)	(4,300)	0
Increase in NNDR / tax base above baseline	(1,870)	(1,870)	(1,870)	0
Business Rates Pooling	(200)	(200)	(200)	0
New Homes Bonus	(3,602)	(3,602)	(3,602)	0
Govt Reimbursement - Covid-19		(3,323)	(3,508)	(185)
Govt Reimbursement-Covid 19-Income Support			(4,506)	(4,506)
Total Gov't grants & business rates	(9,972)	(13,295)	(17,986)	(4,691)
Council Tax	(12,503)	(12,503)	(12,503)	0
Collection Fund Deficit / (Surplus)	55	55	55	0
Business Rates Deficit / (surplus)	485	485	485	0
Contribution to / (Use of Reserves)	(2,579)	(2,039)	(2,039)	0
Use of Reserve/Balances for Covid-19	0	(6,692)	(1,809)	4,883
Total Funding	(24,514)	(33,989)	(33,797)	192
Forecast Overspend / (Underspend)	0	0	0	0

Forecast Outturn Variances

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
EMT				
Executive Management Team	(38)	-	(38)	Underspends forecast due to Director change of hours and no pension costs for 9 months offset slightly by pension strain costs (2%) and across supplies and services spend (78%) mainly on management and consultancy costs (100%) and transport (50%).
Corona Virus	248	(31)	217	A code has been set up in the EMT budget to capture Covid costs of pay for those people who have worked additionally on Covid related roles. This was done to capture the information in case we needed to make a claim to MHCLG for such costs. This will result in showing a net overspend in the EMT budget (100%).
Community				
Licensing and Food Safety	(43)	97	54	Employees underspend of £37k (8%) due to vacant posts and savings in training. Further savings on travel £3k (29%) and £4k (10%) on equipment and material. Estimated income shortfall of £97k (18%), mainly in Licensing £83k due to Covid-19 impact on businesses potentially ceasing their trading.
Community Safety	(1)	-	(1)	Small underspend forecast. Managing expenditure carefully.
Environmental Health Services	11	12	23	Employees overspend of £16k (3%) is forecasted due to not having had sufficient vacant posts yet to achieve the full budget target for vacancies, offset by savings in basic and casual staff costs. The target is fully absorbed by staff savings within Safety and Protection service. £5k (62%) savings due to decrease in collecting stray dogs. £12k (24%) less income in Animal / Pest control.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Building Control	(84)	95	11	Employees underspend of £81k (20%) due to vacant posts. £3k (25%) underspend on staff mileage costs. £95k (21%) shortfall in income predicted due to Covid-19.
Community Initiatives	5	-	5	Employees underspend of £15k (3%) due to savings on a vacant post. This is offset by £20k savings target yet to be achieved for overhead recovery.
Private Sector Housing	(35)	25	(10)	Employees underspend of £38k (7%) due to member of staff being on reduced hours, vacant Support Officer post in Healthy homes and mileage claims savings. Small pressure of £5k under IT software and legal fees. Shortfall in income of £15k (75%) from CBH to PSH, SLA not being renewed. Less inspections income from reduced enforcement activity due to Covid-19 restrictions, which is partially offset by gain in HMO licensing.
Bereavement Services	10	10	20	ICT licensing and backdated broadband costs overspend of £16k (175%). £12k (54%) overspend on Assisted funerals referrals that have increased in numbers. Net £13k underspend on Repairs & Maintenance and Grounds maintenance costs (4%). Overall £10k (1%) shortfall in income. Although Cremations are currently exceeding income target other income sources have fallen behind - mainly burials and memorials income. Expecting a small shortfall of income from leasing Cem and Crem offices due to tenants not trading at present.
Cultural Services	(17)	35	18	Underspend mainly on casual staff costs of £5k (3%). £7k (78%) underspend on goods for resale is offset by £15k (83%) shortfall in sales income. Forecasted saving of £9k (25%) on payments to coach companies is offset by £10k (95%) less income in agency fees. £10k less income for advertising and guided tours (70%). £5k additional grant to Arts Centre – match funding for ACE recovery grant.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Colchester Museums	(2)	367	365	Underspend primarily due to casual staff of £9k (50%). No income forecasted for guided tours (100%). £248k (70%) less income on general admissions due to closure of the Castle and the limited capacity due to Covid restrictions. School bookings down by 96k (81%). A significant proportion of our lost net income is able to be reclaimed from the Government under their income loss compensation scheme. This is being recorded corporately.
Colchester and Ipswich Museums (CIMS)	(55)	108	53	CIMS is a ring-fenced budget. There is a forecast underspend of £59k (3%) on salaries due to vacant posts and reduced casual staff costs due to previous closure of the venues. Forecasted overspend on backdated NNDR bill of £21k (30%) and utilities costs £15k. Also forecast increased cleaning cost of £7k (49%) to ensure premises are safe to attend. £45k (55%) underspend on materials for resale is offset by £91k (57%) shortfall in sales income in Retail. Loss of income on Events forecasted at £23k (71%). This is offset by £5k additional grant from BM.
Customer				
Accounts & Debt	19	-	19	Overspends on employee costs £29k (6%), printing costs £3.5k (175%) due to an increase in billing reminders and IT costs £2k (100%). Underspends on training for a combination of areas (£10k) (76%) and central stationery (£5k) (45%) due to Covid 19.
Local Taxation & Business Rates	-	55	55	The reduced income relates to court fees recovered due to the courts being closed since April 2020. (19%)
Benefits & Hub	(73)	(16)	(89)	Underspends on employee costs (£53k) (8%) due to CBC not operating out of the library and the Community Hub and a vacant post in Benefits Processing. Also underspends on print and postage costs (£20k) (18%) due to revenues and benefits customers converting to online. The income variance relates to additional DWP income received in year (13%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Contact Support Centre	(59)	-	(59)	Underspends on employee costs due to staff leaving and posts being held vacant for 2021/22 efficiency savings (6.58%).
Electoral Services	(86)	(13)	(99)	Underspend relates to the employee costs (£80k) (100%) associated with holding an Election (Elections have now been deferred due to Covid 19) and a net underspend within Electoral Registration following process changes due to Covid19. (£6k). The income forecast of £13k (100%) relates to unbudgeted IER grant received in Electoral Registration.
Customer Digital & Systems	(34)	-	(34)	Underspend relates to employee costs £48k (6.19%) this is partly offset by an overspend on system software licences £20k (6.92%).
Land Charges	(12)	-	(12)	A £12k underspend is forecast on software licences (69.36%.)
HB – Payments & Subsidy	-	200	200	£200k (44%) potential variance forecast for the year end, due to the overpayment debt collection being adversely affected by the economic impact of Covid-19; the expansion of UC moving the debt away from clawback and the aging of the whole HB debt making it harder to recover.
Environment				
Assistant Director Environment	(4)	-	(4)	On employee underspends.
Neighbourhood Services	1,176	204	1,380	£175k employee overspends are forecast due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (2.7%.) £238k employee overspends are forecast on waste collections (7.39%.) Following market fluctuations net income derived from the sale of paper will reduce and £607k additional contractor costs are forecast to be incurred as a direct result of the negative market position. Recycling kit stock is monitored against demand and a £137k overspend is forecast (62.27%.) A £195k shortfall of income is forecast on Trade Waste Collections to reflect the impact of Covid-19 (31.61%). Income at Highwoods Country Park, Sports Playing Fields, Mersea Island, Market &

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				Street Trading, Castle Park, Depot and Voids have all been affected by Covid-19 and are forecast to be less than the budget.
Car Parking	(10)	2,390	2,380	Expenditure variances relate to underspends on NNDR £6k (1%), banking transaction charges £7k (28%) due to less income being processed and an overspend on security costs of £2k (29%). Due to the impact of Covid 19, all parking income is forecasting to be less than the budget. Pay and Display is currently forecast to be £2,320k under (62%), Season Tickets £32k under (65%) and PCN income £38k under (21%). All income streams are reviewed monthly and the forecast updated accordingly.
North Essex Parking Partnership (NEPP)	203	149	352	NEPP will be 'on budget' after any shortfall variance caused by the emergency is drawn in a planned way from the £1.6m Reserve.
Place & Client (incl. CDC)				
Assistant Director Place & Client	1	-	1	Small overspend forecast.
Place Strategy	(38)	-	(38)	Forecast underspend on employee costs due to vacant posts (6%), small under across transport costs (89%) and supplies and services (35%). £20k of the £29.5k Covid spend for business support to Colbea has been matched with budget, £9.5k is being forecast as a corporate overspend (100%).
Housing	(12)	(17)	(29)	Forecast underspend due to vacant post (5%) and a small underspend on transport costs (67%). £17k more income than budget for rents from council dwellings (50%).
Planning	41	(25)	16	Forecast overspend due to appeal costs (100%) offset slightly by underspend across employee costs due to vacant posts (2%). Planning fees income is forecast to be £25k more than budget (2%).
Sustainability & Climate Change	(2)	-	(2)	Small underspend forecast (0.8%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Client - Commercial Company	9	300	309	At the shareholder committee, G&A were presented with information that led to a recommendation to accept a c.£300k reduction to the forecast dividend for 2020/21 in June - that was accepted at Cabinet on 9 July. The forecast of £226k reflects a loss of 90% of the events income, the impact of which has been offset by some savings on furlough, and some delays to capital projects for which CATL receive project management fees at milestones. Assumptions include a gradual return with no events until the end of 2020 and no major events until 2021.
Corporate Asset Management	(18)	-	(18)	The small underspend (£8k) relates to the work on a Rowan House feasibility study which has now completed. The electricity charges for street lighting are forecast to be £10k lower than budget, which is in line with previous years' outturns. The position to date reflects various over and underspends of many contractual payments which have and will continue to be paid, regardless of the lockdowns. This area will be monitored closely as many buildings and services remain closed.
Commercial & Investment	50	481	531	Commercial properties have some unbudgeted cost pressures including the one-off cost for the demolition of the United Way cottages £50k which was delayed from 2019/20. Income is forecast to be £481k (15.4%) less than the budget primarily due to the impact of the Coronavirus lockdown and includes a £154k reduction from the Culver Centre following announcements of rent reductions which are indicative of the retail market, and £145k from the Community Stadium. The outturn variance may worsen as the full effects of the Coronavirus pandemic are known.
Sport and Leisure	(1,143)	4,831	3,688	Expenditure savings have been forecast on utility costs of £71k (32.3%) electricity and £80k (34.6%) on gas - these figures include £31.7k (48%) energy savings at the CNG site. Employee savings on casual staff have been forecast at £160k (35%), and salaried staff have been forecast at £475k (26.3%) –

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				<p>any furlough savings are being shown corporately. Savings on Supplies and Services total £208k (31.4%).</p> <p>Further savings due to additional lockdown savings on energy and savings on casual staffing as this group will not be paid through furlough, are yet to be included in outturns. Additionally, the later opening date of the CNG site will also result in some savings which are yet to be finalised.</p> <p>Income forecasts have been adjusted to show year to date income as final year and income forecast as we are not expecting to re-open facilities again within this financial year. An overall income shortfall of £4.831m (86.7%) is therefore forecast. This includes a forecast shortfall on Lifestyles £1,061k (87%) Pools £1,023.8k (85%), Swimming Lessons £498k (82%), Zoggs' sales £115k (90%), Aqua Springs £497k (99%), Fitness £122k (96%), Dryside £181k (81%) Catering £297k (98%), and £55k (55%) from the Car Park. CNG income is currently showing at 96.7% down, however, a further £19k to be removed meaning 100% down.</p>
Corporate & Improvement (incl. CDC)				
Corporate & Democratic Core	18	210	228	Overspend forecast on banking transactions (14%). Less income forecast from Council Tax Sharing Agreement (38%).
Assistant Director Corporate and Improvement	(7)	-	(7)	Forecast underspend on service training budget (43%), offsetting over due to purchase of chairs no longer funded through spending priorities (100%).
Finance	161	-	161	Overspends forecast on employee costs due to agency costs to cover vacant posts and recruitment costs (11%). £66k unbudgeted costs due to the ABS system upgrade (100%) and an overspend forecast on asset valuation fees (56%) offset slightly by a few small underspends.
ICT	89	-	89	Overspend forecast across ICT spend (2%) and unbudgeted £47.5k Covid costs (100%). Overspends on employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (2%). Slightly offset by underspend on transport costs (62%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
People & Performance	(84)	79	(5)	Underspends forecast across employees due to vacant posts (9%), shared payroll service (38%), purchase of staff transport tickets (50%) and other small underspends. Offsetting unbudgeted spend for workplace space planner (100%). Less income forecast from staff car parking due to home working (91%).
Governance	34	-	34	Overspend of £36k forecast across Governance due to unbudgeted Covid costs mainly in Health and Safety (100%). Over across employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (0.7%). Small one-off saving in Audit (0.5%) and a few small underspends.
Communications	(76)	-	(76)	Forecast underspends across core marketing spend due to income generating services being closed due to lockdown (42%) and employee costs mainly due to secondment and temporary changes in the team (3%). £5k unbudgeted Covid costs (100%).

December 2020	Current Period - December 2020			Forecast Year-End Position		
	Profiled Budget to Period 9 £'000	Actual to Period 9 £'000	Variance (under) / over £'000	Annual Budget £'000	Projected Outturn £'000	Variance (under) / over £'000
Account Description						
HRA - Direct & Non-Direct						
EXPENDITURE						
Employees	144	181	37	192	240	48
Premises Related	5,397	4,4793	(604)	7,192	7,192	-
Transport Related	-	1	1			
Supplies & Services	709	636	(73)	1,836	1,836	-
Third Party Payments	3,063	3,226	163	3,679	3,852	173
Transfer Payments	148	138	(10)	198	198	-
Support Services	2,334	2,334	-	3,970	3,970	-
Capital Financing Costs	-	-	-	14,040	13,616	(424)
TOTAL EXPENDITURE	11,795	3,571	(486)	31,107	30,904	(203)
INCOME						
Other Grants & Reimbursements	(104)	(104)	-	(139)	(139)	-
Customer & Client Receipts	(22,793)	(22,637)	156	(29,885)	(29,682)	203
Income-Interest	(1)	(1)	-	(131)	(131)	-
Inter Account Transfers	(43)	(43)	-	(90)	(90)	-
TOTAL INCOME	(22,941)	(22,785)	156	(30,245)	(30,042)	203
TOTAL NET - HRA	(11,146)	(11,476)	(330)	862	862	-

23 March 2021

Report of	Assistant Director of Corporate and Improvement Services	Author	Hayley McGrath ☎ 508902
Title	Internal Audit Plan 2021/22		
Wards affected	Not applicable		

1.0 Executive Summary

- 1.1 The Accounts and Audit Regulations 2015 require that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'
- 1.2 To ensure that the Council complies with these requirements it maintains a five-year program of the key areas to be audited, then annually a plan is agreed with management about the specific areas to be covered during the next financial year. The annual plan is then submitted for committee approval.

2.0 Recommended Decision

- 2.1 The committee are asked to consider and agree the suggested Internal Audit plan for 2021/22, shown in appendix 1.

3.0 Reason for Recommended Decision

- 3.1 Internal Audit is a key element of the Council's Corporate Governance framework. A relevant and comprehensive audit programme, and implementation of audit recommendations, gives assurance to members and management that services are operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards.

4.0 Alternative Options

- 4.1 The alternative is to not agree a plan for 2021/22 and to decide on an ad-hoc basis which areas are to be audited during the year. However, this option will not ensure that all key controls are audited and will reduce the effectiveness of the internal audit service.

5.0 Background Information

- 5.1 The Council operates a five-year program, covering the key financial and governance functions of the Council, this is an overview of the areas that require assurance. During the program period it is anticipated that service delivery will change, therefore an annual plan, that identifies the specific audits for the coming year, is agreed with senior management and members. Fundamental systems, such as the key financial controls, need to be reviewed every year to provide assurance for the final accounts process.
- 5.2 The current Internal Audit contract provides for 300 auditing days a year. For 2021/22 a total of twenty-five days are allocated to follow-ups and management, leaving 275 days to be allocated to other areas. Currently there are no audits to be carried forward from 2020/21.
- 5.3 The Corporate Governance Manager has discussed the plan and timings with senior managers to ensure that there is commitment in supporting the auditors whilst carrying out the reviews. It has also been agreed with the Council's external auditors.

6.0 Colchester Borough Homes & Colchester Commercial Holdings Ltd

- 6.1 Colchester Borough Homes (CBH) have their own agreed audit plan which is administered by the Council's auditors. The coverage of the plan is decided by CBH and is not reported to this committee.
- 6.2 However there are a few CBH systems that involve input from the Council, and it is appropriate that in these circumstances the audit resource required to provide assurance is shared by, and reported to, both organisations. In 2021/22 there is one 'shared' audit. Housing Rents.
- 6.3 The audit plan has been arranged to reflect the Council's commercial activities and several audits have been identified as coming under Colchester Commercial Holdings Ltd (CCHL). Whilst previously the Council has identified all the audits required for CCHL, it is now more appropriate for a number of days to be allocated to the company, to decide how they are used.
- 6.4 However, the Council will require assurance over specific income areas, especially in the first few years of operation, therefore there are some key areas for review (joint audits) identified on the CBC plan along with a general allowance for CCHL to decide how to use, which has been set at fifteen days.

7.0 Strategic Plan References

- 7.1 The audit plan has been set with due regard to the identified key strategic risks to the Council, therefore ensuring the effectiveness of the processes required to achieve the strategic objectives.

8.0 Risk Management Implications

- 8.1 Agreeing an audit plan enhances the ability of the Council to control its risks and therefore will support the internal control process.

9.0 Environmental and Sustainability Implications

- 9.1 There are no environmental or sustainability implications as a result of this report.

10. Other Standard References

- 10.1 There are no particular references to consultation or publicity considerations or financial; community safety or health and safety implications.

Appendices

Appendix 1 – Draft Internal Audit plan for 2021/22.

Internal Audit Draft Five Year Plan 01 April 20 – 31 March 25

Key: LT – light touch, area will be included in the overall Financial Controls audit.
This is dependent on the main audit continuing to achieve substantial/reasonable rating.

Review Area	Service	Last Audited	Result	2020/21	2021/22	2022/23	2023/24	2024/25
Organisational Governance								
Corporate Governance & Democratic	C&I	19/20	Reasonable		x		x	
COVID Management review	C&I	n/a	n/a		x			
COVID 19 response	C&I	n/a	Substantial	x				
Performance Management (including staff training & Succession Planning)	C&I	20/21	Substantial	x	x		x	
Risk Management	C&I	20/21	Reasonable	x		x		x
ICT								
IT Virtual environment (New way of working)	C&I	n/a	n/a		x	x		
IT – Network Resilience	C&I	n/a	n/a				x	
Cyber Security	C&I	n/a	n/a			x	x	
Mobile Device Management					x			
Key Reviews /Finance Processes								
Procurement	C&I	19/20	Limited		x		x	
Budgetary Control - Income stream not realised	C&I	20/21	Substantial	x	x		x	
Key Financial Control	C&I	19/20	Substantial	x	x	x	x	x
Contract Management	C&I	20/21	Reasonable	x	x		x	
COVID Discretionary Grant	CUS	n/a	n/a		x			

Accounts Receivable (Debtors)	CUS	18/19	Substantial	x				
Cash Management processes	CUS	n/a	n/a		x		x	
CCHL / CBC contract management and governance	P&L	n/a	n/a			x		
Service Reviews								
Business Continuity & Emergency Planning	C&I	20/21	In Progress	x				
Staff wellbeing and Sickness absence	C&I	16/17 (sickness)	Reasonable		x		x	
Human Resources and Payroll	C&I	19/20	Reasonable			x	x	
Conflicts of Interest (Employee secondary employment)	C&I	n/a	n/a			x		
Corporate Health and Safety	C&I	20/21	Reasonable	x		x		x
Helpline and use of CCTVs	CCHL	18/19	Limited			x		
Events Management	CCHL	20/21	Limited	x		x		x
Allocation for CCHL	CCHL	n/a	n/a	x	x	x	x	x
Licensing	COM	20/21	Reasonable	x				
Working with the voluntary sector/volunteers	COM	n/a	n/a		x			
Street Care and Safety	COM	n/a	n/a				x	
Safeguarding	COM	n/a	n/a			x		
Environmental Health (incl Pest control)	COM	18/19	Reasonable			x		
Museums - Merged Services	COM	19/20	Substantial	x	LT	x	LT	x
Council Tax and NNDR	CUS	20/21	Substantial	x	x	LT	x	LT
Housing Benefit	CUS	20/21	Substantial	x	x	LT	x	LT
Business Support Grants	CUS	20/21	Substantial	x				
Grant Allocation & Assurance	CUS	n/a	n/a					x
Land Charges	CUS	16/17	Reasonable		x			

Waste Management	ENV	19/20	Limited		x			
Fleet Management & Fuel Usage	ENV	19/20	Substantial				x	
Parking Services Income / Partnership	ENV	19/20	Substantial	x	LT	x	LT	x
Tendring Colchester Borders project	P&C	n/a	n/a		x			
Leisure World	P&C	19/20	Substantial	x	x	x	x	x
Carbon Reduction	P&C	n/a	n/a			x		
Climate Emergency	P&C	n/a	n/a		x			
Planning and Development (Including S106)	P&C	20/21	Substantial	x			x	
Homelessness – Impact of COVID	P&C	n/a	n/a		x			
Joint Audits with CBH								
Right to Buy		17/18	Reasonable			x		
Housing Rents		19/20	Substantial	x	LT	x	LT	x
Management of Property Expenditure		20/21	Reasonable	x				
Housing Needs, Allocation, Register and Private Sector Housing		20/21	Substantial	x		x		
Homelessness							x	

23 March 2021

Report of	Assistant Director of Corporate and Improvement Services	Author	Richard Clifford
Title	Update on Remote (Digital) Council Meetings		☎ 507832
Wards affected	Not Applicable		

1. Executive Summary

- 1.1 This report provides an update on remote (digital) Council meetings, as requested by the Governance and Audit Committee when it last considered the issue in October 2020. The report highlights that the legislative provisions that allow remote Council meetings are due to expire on 7 May and examines some of the issues involved in returning to physical meetings, given the continued need to maintain social distancing, and how these may be addressed.

2. Recommended Decisions

- 2.1 To note the update on remote (digital) meetings.
- 2.2 To agree that: -
- (a) arrangements for the Annual Meeting on 26 May be agreed by the Mayor, in consultation with the Group Leaders.
 - (b) arrangements for other formal decision-making meetings at the start of the 2021-22 municipal year be agreed by the Leader of the Council, in consultation with the Group Leaders.
 - (c) an update report be provided to Full Council in July 2021.
 - (d) briefing meetings for Committee Chairs and Group Spokespersons continue to be held remotely.

3. Reason for Recommended Decision

- 3.1 The legislative provisions that allow remote Council meetings are due to expire on 7 May 2021 and therefore arrangements need to be in place to agree how meetings should be held at the start of the 2021/22 municipal year. There is some fluidity around some of the issues and therefore it is proposed arrangements for meetings be agreed by either the Mayor or Leader of the Council, in consultation with Group Leaders.

4. Alternative Options

- 4.1 No alternative options are proposed.

5. Background Information

- 5.1 At its meeting on 20 October 2020, the Committee reviewed the implementation of remote Council and Committee/Panel meetings. This report was informed by a survey of the views of Councillors and officers. The Committee made the following recommendations to Council: -

RECOMMENDED to Full Council:

- (a) All meetings continue to be remote (digital) by default and hosted via Zoom and live streamed by YouTube for the remainder of this municipal year. However, this be kept under review in the light of evolving Government guidance and legal requirements.*
- (b) All briefings for committee and panel chairs and group spokespersons be held remotely.*
- (c) The possibility of hybrid and face to face meetings be considered when both Government Guidance and legislation permits and following a Covid- 19 health and safety risk assessment for each meeting.*
- (d) Chairs of meetings retain flexibility to determine how formal votes are conducted taking into account the following principles: -
 - (i) Non-controversial items be agreed by the chair asking participants to indicate verbally whether anyone is against a proposal.*
 - (ii) Where the subject matter is controversial or relates to a quasi-judicial matter, a roll call of councillors be taken to ensure transparency.**
- (e) Chairs of meetings retain the option of being physically present with officers when required, suitably socially distanced, whether it be due to procedural complexity of the meeting or of the nature of business to be transacted.*
- (f) Government be lobbied to extend the Regulations to enable remote and hybrid meetings to continue beyond May 2021.*

These recommendations were approved by Council at its meeting on 3 December 2020. In terms of the recommendations: -

- All decision-making meetings have continued to be held remotely.
- The more flexible voting arrangements have been introduced and have helped speed up business and make meetings slightly less formal. Where needed, formal roll calls are still taken.
- The only meetings where the Chair has used the option of being present with officers has been Full Council where the Mayor has chaired the meeting from either the Town Hall or Rowan House, in the presence of the Chief Executive, the Monitoring Officer and the Lead Democratic Services Officer, and a meeting of the Licensing Sub-Committee. Social distancing is maintained and a Covid 19 risk assessment completed for each meeting.
- The Leader of the Council together with Group Leaders wrote to the Secretary of State for Housing, Communities and Local Government on 3 February 2021 requesting the government take the necessary legislative steps to enable remote and hybrid meetings to continue beyond May 2021. A copy of this letter is at Appendix A.

- 5.2 All public decision-making meetings have continued to be held remotely using the Zoom meeting platform and are live streamed via the Council's YouTube channel. Viewing figures from recent meetings are set out below, which demonstrate particularly high engagement with the Cabinet meeting on 27 January 2021, when there was

considerable public interest in a report on Queen Street and the Alumno Development, and the Extraordinary Council Meeting on 1 February 2021 when Section 1 of the Local Plan was adopted.

Meeting	Date	Total Watch Time (Hours)	Unique Viewers	Total Views	Number of Live Concurrent Views
Planning Committee	10/12/20	20	130	215	25
Local Plan Committee	14/12/20	50	53	171	30
Environment and Sustainability Panel	17/12/20	4	54	82	3
Policy Panel	13/01/21	4.5	52	55	4
Governance and Audit Committee	19/01/21	6.5	36	84	4
Planning Committee	21/01/21	19.6	99	136	8
Scrutiny Panel	26/01/21	12	35	73	9
Cabinet	27/01/21	117	85	345	49
Environment and Sustainability Panel	28/01/21	13	55	137	9
Extraordinary Council Meeting	01/02/21	33	175	442	52
Revolving Investment Fund Committee	03/02/21	2	79	103	8
Council	24/02/21	24	179	415	37

- 5.3 The Committee indicated that it would review the position in March 2021 so the position could be revaluated in the light of circumstances. This report meets that commitment.

Legislative Position

- 5.4 Prior to 4 April 2020 all local authority meetings were required by law to be held with all participating councillors physically present in the same room. As a consequence of the Covid 19 pandemic the government introduced the Local Authorities and Police and Crime Panel (Coronavirus) (Flexibility of Local Authority and Police and Crime Meetings) (England) Regulations 2020. These came into force on 4 April 2020 and apply to meetings held before 7 May 2021. The Government has indicated that it believes that to extend the provisions and allow remote meetings to continue will require primary legislation and that there is no scope for this to be done before the Regulations expire. Therefore, as matters stand, there will be no legislative basis for remote meetings from 7 May 2021 onwards, and formal decision-making meetings will need to be held in person.
- 5.5 As mentioned earlier, the Council has already written to the Government to lobby for the necessary legislative changes to enable remote meetings to continue. A copy of the letter is at Appendix 1. The Government has been subject to lobbying on this issue from a number of representative local government organisations including the LGA, Lawyers in Local Government (LLG) and the Association of Democratic Services Officers (ADSO).

This has been on the basis not just of issues around ensuring the safety of those attending meetings through a pandemic, but in terms of continuing to secure the other benefits of remote meetings, as set out in the Council's letter.

- 5.6 Within local government there is some doubt as to whether changes to primary legislation are required to enable remote meetings to continue and that other avenues are available to the government. These are being explored by organisations such as LLG and ADSO. For example:
- Under the Local Government Act 1999 Best Value authorities (which include principal authorities, but not community and parish councils) are obliged to “make arrangements” for continuous improvement. It has been suggested that the Secretary of State could use powers to provide that remote meetings should continue in order to comply with this duty.
 - An order under the Cities and Local Government Devolution Act 2016, which permits the Secretary of State to make changes to principal councils' governance arrangements with their consent.
 - LLG and ADSO together with Hertfordshire County Council are seeking a declaratory judgement from the Court of the meaning of “place” within the legislation governing meetings and whether this could include an online platform.
- 5.7 At the time of writing this report none of the above have been determined and an update will be provided to the meeting.

Return to Physical Meetings

- 5.8 Notwithstanding these attempts to clarify the position and to lobby the government, the position remains that at present the Council's decision-making meetings will need to be held as physical, in person meetings from 7 May onwards. This will mean that those persons making the decision must all be physically together in a meeting room. It does not necessarily mean that officers supporting and presenting to the meeting and visiting councillors and members of the public wishing to view or make representations need to be present in the same room.
- 5.9 The first meeting that will be subject to these arrangements will be the Annual Meeting on 26 May 2021.
- 5.10 However, we cannot simply return to the pre-Covid arrangements for meetings. Any meetings will be required to be Covid safe. This means that a Covid 19 risk assessment would need to be completed for each individual meeting. Social distancing requirements will remain in place at this point and are likely to remain in place for a considerable time and it is vital to ensure rooms are well ventilated. The Government has indicated that social distancing requirements will not be reviewed until Step 3 on its Roadmap Out of Lockdown. This means it will not be reviewed before 17 May 2021 and the current guidance will therefore be in place for at least the first scheduled meetings of the 2021/22 municipal year.
- 5.11 In addition, Councillors and others who are [clinically extremely vulnerable](#) are currently advised to shield until 31 March. This is likely to be lifted progressing in to the next Covid roadmap steps (12 April onwards) but the advice of working from home (rather than going on site) where it is possible until restrictions are significantly eased is likely to remain.

There is also a further identified higher-risk group*, on which emerging data continues to be assessed. Guidance for businesses at this time is to consider this group in their risk assessments. The Council's risk assessment process highlights the advice such as

working from home is similarly applied for the safety of the higher-risk group as it is for those who are clinically extremely vulnerable.

*The higher-risk groups include those who:

- are older males
- have a high body mass index (BMI)
- have health conditions such as diabetes
- are from some Black, Asian or minority ethnic (BAME) backgrounds

5.12 After taking advice from the Health and Safety Officer the position on each of the main meeting rooms in the Town Hall is as follows:-

Grand Jury/West Committee Room: It would be possible to configure the Grand Jury/ West Committee Room to hold approximately 12 participants in its usual meeting room layout. However, we would need tables/chairs set up reaching almost the length of both rooms due to the distancing needed between them. It may be possible to accommodate 2-4 of members of public at seats on the sides. Windows would be required to be open during the meeting to ensure good ventilation.

Council Chamber: With 1m social distancing the Council Chamber could be used by a maximum of 31 participants (roughly every other seat) and 4 members of public. However, as the Chamber has limited ventilation the fire escape door and window behind it would have to be kept open to increase the ventilation, and for this reason the use of the Chamber is not recommended at the current time. As participants would be under 2m apart face coverings would be required to be worn for the duration of the meeting.

Moot Hall: The Moot Hall could be configured with tables and chairs in roughly the Council Chamber layout but 1m distanced between each participant. This would go from the edge of the stage area to around slightly over half the length of the room, and then allow space behind for approximately 15-20 members of the public. The side doors leading to the outside balcony would need to be opened for ventilation, but it could be made Covid secure for meetings, however it would require stringent controls for entry and exit. As social distancing would be less than 2m face coverings would be required during the meeting.

5.13 Therefore, the only room large enough to accommodate Council and Committee meetings whilst maintaining social distancing and adequate ventilation in line with the current guidance is the Moot Hall. This poses a number of challenges.

- There is no audio system installed in the Moot Hall. On occasions when the Moot Hall has been used for Committee meetings because of the scale of public interest, an audio system is hired. The approximate costs of this were approximately £900 per meeting in 2018.
- Before the pandemic the Council was exploring options around the live video streaming of its decision-making meetings. The move to remote meetings has enabled the meetings to be live streamed on the Council's You Tube channel quickly and easily. It would seem a retrograde step in terms of public engagement and transparency to move away from the live streaming of meetings. However, at present the Council does not have the equipment or software necessary to effectively film and stream a physical meeting.
- Even if legislation for remote meetings is introduced, it is anticipated that some members may wish to begin to return to physical meetings and that a hybrid solution including both physical and remote attendees will need to be developed.

- 5.14 One option would be to return to the previous practice of only audio streaming meetings, when they are held physically. Whilst this would reflect the position at the time the pandemic began, it would lead to the loss of the public engagement benefits from a live video stream. The viewing figures as shown in paragraph 5.2 above are considerably greater than the listening figures from the audio stream. The successful use of streaming from remote meetings may have created an expectation amongst Councillors and members of the public that this will continue. However, the introduction of a video streaming system may be a significant investment and would be best addressed when there was more certainty about the meetings arrangements and when requirements about social distancing and ventilation in meeting room had eased, allowing decisions to be taken that would address the preferred meeting rooms.
- 5.15 Notwithstanding this, officers have been investigating potential solutions that will provide an audio system and will allow for video streaming to continue. These have included looking solutions from the market leader Public I, including mobile solutions that can be moved between rooms. An indicative quote for such a system is awaited. The feasibility of developing an in-house solution is also being pursued with colleagues in IT. In view of the potential complexity a consultant will be engaged to look at possible solutions. This work is ongoing, and we are not in a position to report on the likely costs of such a system at this point.
- 5.16 Other possibilities could include using larger external venues such as Charter Hall for the Annual Meeting.
- 5.17 In view of the fluidity of the situation, and given the point we are at in the municipal year with no further meeting of Council before the start of the next municipal year, it is proposed that:-
- (a) The arrangements for the Annual Meeting on 26 May be agreed by the Mayor, in consultation with the Group Leaders.
 - (b) The arrangements for other formal decision-making meetings at the start of the 2021-22 municipal year be agreed by the Leader of the Council, in consultation with the Group Leaders.
 - (c) An update report be provided to Full Council in July 2021.
- 5.18 The requirements to return to physical meetings do not apply to informal briefing meetings and it is recommended that briefing meetings for Committee Chairs and Group spokespersons continue to be held remotely. These arrangements have worked well, and their continuation would allow the flexibility and benefits in reduction in travel to continue.

6. Financial implications

- 6.1 At present there is no budget identified for the purchase of a new streaming or audio-visual system.

7. Health and Safety Implications

- 7.1 The health and safety implications are addressed in the main body of the report.

8. Environmental and Sustainability Implications

- 8.1 There are direct environmental benefits from holding meetings remotely, mainly from the reduction in car journeys and CO₂ emissions from the Town Hall for meetings. These were quantified in the report to the Committee in October and are set out below. A return to physical meetings would mean that these environmental benefits would be lost and there would be a merit in exploring hybrid meetings as far as possible in order to retain as many environmental benefits as possible.

Length of round journey (miles)	Avoided miles travelled	Saving of CO ₂ (tonnes)	CO ₂ avoided from vehicle emissions (kg)
4	1256	0.37	370
6	1884	0.55	550
10	3140	0.91	910

Equality and Diversity Implications

- 9.1 There are accessibility benefits from holding meetings remotely in that they allow people to view or join meetings from the environment of their choice, rather than from travelling to and accessing the meeting at the Town Hall. The proposed arrangements agreed upon for the start of the municipal year will need to be subject to a Equality Impact Assessment.

10. Standard References

- 10.1 There are no particular references to the Strategic Plan; consultation or publicity considerations or community safety; or risk management implications.

Appendices

Appendix 1 – letter to the Secretary of State for Housing. Communities and Local Government



The Rt Hon Robert Jenrick MP
Secretary of State for Housing,
Communities and Local Government
House of Commons
London
SW1A 0AA
robert.jenrick.mp@parliament.uk

Colchester Borough Council

33 Sheepen Road, Colchester, CO3 3WG

Contact	Councillor Mark Cory
Phone	(01206) 282244 Fax (01206) 282233
Email	cllr.mark.cory@colchester.gov.uk
Our ref	MCRC030221
Date	3 February 2021

Dear Mr Jenrick

We are writing to you on behalf of Colchester Borough Council to urge you to extend the provisions that allow Council decision making meetings to be held virtually to continue beyond 7 May 2021.

The introduction of the Local Authorities and Police and Crime Panel (Coronavirus) (Flexibility of Local Authority and Police and Crime Meetings) (England) Regulations 2020 has been very beneficial to the Council and has enabled effective and transparent decision making to continue, despite the restrictions imposed in response to the Covid 19 pandemic.

As well as allowing decision making to continue in such challenging circumstances, virtual meetings have brought a number of other benefits, which I would also ask you to consider:-

- Public engagement and participation have generally increased.
- Members are able to join meetings more flexibly and are able to participate in meetings for which they would otherwise have to send apologies – for instance whilst on holiday, or from work.
- There is a positive environmental impact by reducing travel to meetings and reduced power consumption in Council buildings.
- They encourage more diverse Councillor membership by making attendance at meetings easier for those with children/caring responsibilities, or who are in employment.
- They are of particular benefit for Joint Committees where members from different authorities across a wider geographical area need to meet.
- There would remain flexibility to hold in person meetings where appropriate or indeed hybrid/blended meetings if required.
- Remote meetings support councillors in balancing their meetings, especially in large counties/rural council areas.

However, the regulations are time limited and are due to expire on 7 May 2021. The principle and practice of virtual meetings are now firmly embedded both within the Council and the general population and it would seem a retrograde step not to allow virtual meetings or hybrid meetings to continue. In addition, the challenges posed by the pandemic are unlikely to be resolved by May 2021. Therefore in order for the benefits of virtual meetings to be retained and to permit their continued use, we are writing to you on behalf of all the political groups on Colchester Borough Council to urge you to introduce the necessary primary legislation to enable virtual and hybrid meetings to continue beyond May 2021.

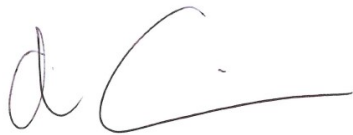
Yours sincerely



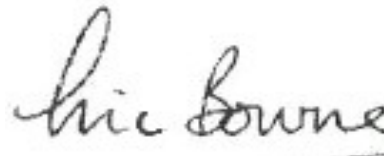
Councillor Mark Cory
Leader, Colchester Borough Council



Councillor Paul Dundas
Conservative Group Leader, Colchester
Borough Council



Councillor Martin Goss
Liberal Democrat Group Leader,
Colchester Borough Council



Councillor Tina Bourne
Labour Group leader, Colchester
Borough Council



Councillor Beverley Oxford,
Highwoods Independent Group Leader,
Colchester Borough Council

Governance and Audit Committee

Item
11

23 March 2021

Report of	Assistant Director Corporate and Improvement Services	Author	Matthew Evans ☎ ext. 8006
Title	Work Programme 2020-2021		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report sets out the current Work Programme 2020-2021 for the Governance and Audit Committee. This provides details of the reports that are scheduled for each meeting during the municipal year.

2. Recommended Decision

- 2.1 The Committee is asked to note the contents of the Work Programme for 2020-2021.

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. Members are asked to note that the agenda item 3 on the work programme, Capital Expenditure Monitor 2020/2021, was presented to Cabinet on 10 March 2021, and will therefore not be presented to this meeting.

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 2020-21

Governance and Audit Committee
Meeting date / Agenda items -
Governance and Audit Committee - 23 June 2020
<ol style="list-style-type: none">1. Draft Annual Statement of Accounts 2019/20202. Year End Internal Audit Assurance Report 2019/20203. Review of the Governance Framework and Draft Annual Governance Statement4. CCHL – Annual report
Governance and Audit Committee - 28 July 2020
Governance and Audit Committee briefing followed by the following items -
<ol style="list-style-type: none">1. Review of Governance Framework and Draft Annual Governance Statement2. LGA Consultation on a Model Code of Conduct for Councillors3. Review of digital meetings following Covid-19
Governance and Audit Committee - 8 September 2020

1. Colchester Borough Homes Annual Report and Governance Statement
2. Financial Monitoring Report – April to June 2020
3. Capital Expenditure Monitor 2020/2021
4. 2019/2020 Year End Review of Risk Management

Governance and Audit Committee - 20 October 2020

1. Local Government and Social Care Ombudsman Annual Review 2019/2020
2. Health and Safety Policy and Annual Report
3. Review of digital meetings following Covid-19

Governance and Audit Committee – 24 November 2020

1. Audited Statement of Accounts 2019/2020
2. Equality and Safeguarding Annual Update
3. Review of the Council's Ethical Governance Policies
4. Annual Review of the Members' Code of Conduct and the Council's Localism Act "Arrangements"
5. Review of Local Code of Corporate Governance
6. Review of Member/Officer Protocol
7. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Employees.

Governance and Audit Committee - 19 January 2021

1. Interim Review of the Annual Governance Statement Action Plan
2. Risk Management Progress Report
3. Mid-Year Internal Audit Assurance Report 2020/2021
4. CCHL Half-Year Performance Report
5. Annual Review of the Council's Companies' Business Plans
6. Treasury Management Report 2019-20
7. Treasury Management – Half Yearly Update
8. Annual Review of Business Continuity
9. Annual Audit Letter

Governance and Audit Committee - **23 March 2021**

1. External Audit Plan for year ending 31 March 2021 and Certification of Claims and Returns – Annual Report 2019/2020
2. Financial Monitoring Report
3. Capital Expenditure Monitor 2020/2021
4. Internal Audit Plan 2021/2022
5. Remote meetings update