

# Governance and Audit Committee Meeting

**Grand Jury Room, Town Hall, High Street,  
Colchester, CO1 1PJ**

**Tuesday, 19 January 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 the form accessed by this link, before noon on the working day before the meeting date: Governance and Audit Have Your Say!

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](mailto:democratic.services@colchester.gov.uk)  
[www.colchester.gov.uk](http://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, 19 January 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

**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 8 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 20 October 2020 are a correct record.

**Governance and Audit minutes - 20 October 2020**

9 - 16

**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 Colchester Commercial Holdings Ltd (CCHL) Business Plans 2021 - 2024**

17 - 34

To review, and make recommendations to Cabinet on, the new draft Colchester Commercial (Holdings) Limited Business Plans for 2021-24, and the subsidiary companies; including an overall recommendation to agree the Business Plans (with or without any changes).

To consider whether, given current global uncertainties, the Committee wish to recommend a shift to a 'rolling' three-year Business Plan period model to replace the set three-year Business Plan period.

To review the achievements of the Council's companies in 2020/21 and note the ongoing governance arrangements which are in place.

**8 Annual Audit Letter 2019/20 / Redmond Review Update**

35 - 58

The Annual Audit Letter summarises the conclusions and any significant issues arising from BDO's audit procedures for the year ended 31 March 2020.

**9 Mid-Year Internal Audit Assurance Report 2020/21**

59 - 82

The report summarises the performance of Internal Audit, and details the audits undertaken, between 1 April and 30 November 2020.

**10 Interim Review of the Annual Governance Statement Action Plan**

83 - 86



This report reviews the implementation of the actions highlighted on the 2019/20 Annual Governance Statement (AGS), which was reported to the Governance and Audit Committee in June 2020. The report included an action plan for issues to be resolved during the current financial year (2020/21).

- |    |  |           |
|----|--|-----------|
| 11 | <b>Risk Management Progress Report</b>   | 87 - 98   |
|    | This report provides members with an overview of the Council's risk management activity during the period from 01 April to 30 September 2020.  |           |
| 12 | <b>Treasury Management – Annual Review 2019/20</b>   | 99 - 112  |
|    | This report is part of the cycle of monitoring treasury management in the Council and follows the completion of the audit of the Council's Statement of Accounts. The Treasury Management Strategy (TMS) covers all the borrowing and investment activities of the Council.  |           |
| 13 | <b>Treasury Management Strategy - Mid Year Review Report 2020/21</b>   | 113 - 126 |
|    | The 2020/21 Treasury Management Strategy Statement (TMSS) was approved by Council on 13 February 2020. This report is a mid-year review of the Council's treasury management.  |           |
| 14 | <b>Annual Review of Business Continuity</b>  | 127 - 138 |
|    | This report provides Members with an overview of the of the Council's Business Continuity activity for the period from 01 October 2019 to 30 September 2020.   |           |
| 15 | <b>Increase in write-off delegation to £10,000</b>   | 139 - 140 |
|    | To consider increasing the limit for officers to write-off debts.  |           |
| 16 | <b>Work Programme 2020-2021</b>  | 141 - 144 |
|    | 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.  |           |
| 17 | <b>Exclusion of the Public (not Scrutiny or Executive)</b>   |           |
|    | 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)**



18 **Colchester Commercial Holdings Ltd (CCHL) Business Plans - Part B**

The Committee are invited to approve the business plans of the subsidiary companies of Colchester Commercial Holdings Ltd.

19 **Investments held as at 31st March 2020**

Council investments held as at 31st March 2020

20 **Investments held as at the 30th September 2020**

Investments held as at the 30th September 2020.







# GOVERNANCE AND AUDIT COMMITTEE

**20 October 2020**

*Present:-*

Councillor Nick Barlow, Councillor Paul Dundas,  
Councillor Mark Goacher, Councillor Sam McCarthy,  
Councillor Chris Pearson (Chairman), Councillor Dennis  
Willetts, Councillor Barbara Wood

*Also Present: -*

## **227. Local Government and Social Care Ombudsman – Annual Review Letter 2019/2020**

Andrew Weavers, Strategic Governance Manager, attended to present the report and assist the Committee with their enquiries. The Committee heard that there had been no public interest reports issued, and only one complaint upheld by the Local Government and Social Care Ombudsman (the Ombudsman) with one key service improvement recommendation, which had been agreed and completed. Andrew drew the attention of the Committee to the fact that during 2019/2020, the Council had been contacted 210,377 by members of the public, and that in contrast to this only twenty complaints had been received by the Ombudsman during the same period.

Councillor Pearson commented that it was useful to see how the Council was performing in terms of complaints, and to be able to compare performance against that of other Local Authorities of similar size. Councillor Willetts expressed his pleasure at the low number of complaints that had been received across the County, and commented that it was heartening to see how well Local Authorities were performing.

*RESOLVED* that the contents of the Local Government & Social Care Ombudsman's Annual Review Letter for 2019/2020 be noted.

## **228. Health and Safety Report 2019/20**

Carl Free, Corporate Health and Safety Officer, attended to present the report and assist Members with their enquiries. The Committee heard that the Health and Safety Policy had received no fundamental changes, save for being updated to reflect changes in the organisational structure of the Council. Carl explained that



there had been a number of changes in the ways of working during the year due to the Covid pandemic, but that scheduled work on audits and other health and safety matters had still be carried out, so far as was possible. With regard to the response to Covid, the Committee heard that it had been necessary to produce documentation, templates and guidance to be distributed to various Officers and teams across the Council. Carl had provided support and updates to the Covid Strategic and Operation Group, and also increased health and safety training to redeployed staff in critical areas. He had managed centrally the provision of Personal Protective Equipment (PPE) to staff across the Council, and as a result of this all staff had the correct PPE needed at all times. Considerable work had also been undertaken to make Council sites such as offices and Leisure World as Covid secure as possible in order to allow the safe return of staff and customers.

The Committee heard that lone working protective devices were in use, allowing staff to alert colleagues if they were in distress through the push of a button on these devices. The use of a smartphone app for this purpose had also been trialled with positive feedback. An internal audit had been undertaken of the health and safety function, and the Health and Safety Team had achieved reasonable assurance.

Carl explained that due to the current situation, the health and safety induction training for new employees had been moved to an online course, to ensure this was still offered, and that first and manual handling training had continued to be delivered to all staff requiring this.

With regard to incidents reported concerning serious injuries to staff or members of the public, these had stayed low, and only two had been received this year concerning a 'slip and trip' incident and an asthma attack. The importance of staff wellbeing was highlighted as a priority in the updated People Strategy, particularly at the current time.

Councillor Willetts counselled that although the Council had a robust Health and Safety Policy which protected members of staff and members of the public, it was necessary to keep this under review as the years went by to ensure that what was in place ten years ago was still suitable today. He was pleased with the low level of incidents being reported, as well as the work that had been put in place due to the Covid pandemic, which demonstrated how good practice would be carried on under the current difficult circumstances. In general terms, Councillor Willetts expressed his opinion that health and safety matters seemed be well in hand, and praised staff for their diligent work.

Councillor Dundas queried how health and safety for staff was being managed now that the majority of staff were working from home, and what message was being given to staff to ensure that they were supported as fully as possible. In response, Carl Free explained that although the Council did not have direct control of people's homes as workplaces, the staff survey recently carried out in May demonstrated that ninety seven percent of staff agreed or strongly agreed with the statement "I know how to keep safe and healthy at home during the Covid pandemic. A further survey had just finished which was intended to capture the current picture, and indicated that in some areas staff were slightly less happy. Carl confirmed that once the survey



responses had been analysed, action would be taken to address any concerns raised.

Councillor Pearson enquired whether home working guidance had been issued, and whether all staff working from home had undertaken a risk assessment of their home working environment and any equipment that they had. Carl confirmed that all staff working from home had been required to fill in a display screen environment assessment which included the working environment as a whole, and that general safety guidance had also been issued. Staff were also supported by a wellbeing group which met regularly to discuss any ideas and concerns, and a number of initiatives had been put in place to assist staff, and further detail of all the support offered was contained in the People Strategy. Dan Gascoyne, Chief Operating Officer, confirmed that senior management at the Council were acutely aware of the need to work harder to stay in touch with staff in the present climate, and it was important to keep surveying staff to monitor how people were feeling, and offer any support necessary; particularly as it had been recognised that current working environments lacked the usual social contact and interaction. Dan praised the hard work that had been undertaken by Carl in response to the Covid crisis to ensure that staff were kept as safe and up to date as possible.

In Summary, Councillor Pearson noted that it was pleasing to see there had only been a couple of serious incidents reported in 2019/2020, but requested that in future consideration be given to including statistics on all incidents reported to give an indication of the more general position.

*RESOLVED* that the Health and Safety report for 2019/20 be noted, and Health and Safety Policy for 2020/21 be approved.

## **229. Review of Remote (Digital) Council Meetings**

Andrew Weavers, Strategic Governance Manager, attended to present the report and assist the Committee with their enquiries. The Committee heard that the report had been prepared prior to the majority of Essex being placed into the Government's high level 'Tier 2' restrictions in relation to the Covid-19 pandemic, however, it was felt that this served to emphasise the recommendations contained within the report. In the future the safety of Councillors and Officers had to be of paramount importance, and concerns around the health of Officers and Councillors should be taken into account when considering the need for face to face or hybrid meetings at the time being.

The Committee were advised that carrying out remote meetings was authorised under Regulations introduced in April 2020, however, these are due to expire on 6 May 2021 unless extended by the Government. Andrew considered that Local Authorities should have the flexibility to continue to hold meetings remotely beyond this date, as it looked as though remote meetings would be a necessity for the duration of the current municipal year.



The Committee were reminded that public meetings were currently being held using Zoom, and broadcast to the public via the Council's YouTube channel. As part of the review of these remote meetings, a survey of Councillors, Officers and the public had been undertaken, leading to responses from thirty two Councillors and thirteen Officers, but sadly no responses from members of the public, despite the deadline for responses having been extended. Despite the lack of public response, it was pointed out that levels of public engagement with Council meetings was higher than ever before. The results of the Councillor and Officers surveys had been collated in the report, and Members were advised that overall there had been a positive reaction to remote meetings, together with the work that had been undertaken by the Democratic Services and IT teams. Drawing some key statistics from the survey responses demonstrated that overall, sixty three percent of Councillors were in favour of remote or hybrid meetings, with ninety percent of responses indicating that the correct equipment possessed to allow participation in remote meetings. Andrew noted that some references had been made to the provision of a second computer screen for Councillors to assist their participation in remote meetings, confirming that this would be arranged any Councillor who wished it. Continuing to look at the results of the survey, eighty eight percent of Councillors felt that they had received sufficient training to enable them to participate in remote meetings, and additional training would be made available for any Councillor who requested it.

With regard to the Have Your Say! arrangements at remote meetings, the Committee heard that these were working well, including where representations were being made on behalf of third parties. It was suggested that the ability to contribute remotely to all meetings should be retained in the future.

The attention of the Committee was drawn to the viewing statistics for public meetings which were contained within the report. It was pointed out that a comparison to the number of listeners to the audio broadcasts of meetings from the previous year, revealed a rise of sixty four percent when compared with the number of views of remote meeting broadcasts.

With regard to behaviours in meetings, seventy two percent of Councillors felt that the Remote Meetings Protocol was helpful. Some areas of concern had been highlighted, for example Members disappearing from their screens during a meeting, and although some of the issues were addressed by the Protocol, the Committee may wish to consider how this would be refined further to provide greater assistance.

The move to providing only digital agendas had been a success, with significant savings made on printing, and the provision of only digital agendas would continue in the future, unless there was a demonstrable need for a printed agenda document to be provided for individual Councillors.

It was proposed that Committee briefing meetings should continue to be held remotely as a matter of course, but that individual Committee Chairs should retain the flexibility to be in a room with Officers if necessary during a meeting if the business being dealt with was complicated or the meeting had a particularly large number of participants.



The mechanisms used for taking decisions in remote meetings were considered, and the Committee heard that formalising decisions taken in meetings potentially presented its own problems, particularly when all participants were not visible on the screen at the same time. It was suggested that the rules be revised to consider when a named vote was required, or when a decision could be taken less formally.

It was pointed out to the Committee that, with a couple of notable exceptions, the length of meetings had only increased by a small amount on average, and the majority of Councillors who responded to the survey felt that the current times allowed for breaks were adequate. In spite of this, sixty nine percent of Councillors felt that the current maximum of four hours for a meeting was too long, and the Committee was invited to consider whether any change in the rules was appropriate.

It was suggested that Officers undertake further work on the potential provision of more sophisticated equipment to further support ongoing remote or hybrid meetings, with a further report on this subject to be presented to this Committee in due course, However it was noted that there was currently no budget available to fund this.

In conclusion, Andrew recommended that the Authority continue with remote meetings but keep them under review. Hybrid meetings were an option for the future, provided health and safety concerns could be dealt with, and Officers and Councillors were happy to attend these. Hybrid meetings were, however, not being recommended at this time.

Councillor Pearson expressed his thanks to Officers for the work undertaken in getting the remote meetings running so smoothly, and he remarked on the importance of the etiquette of remote meetings and presenting to the public and colleagues in an appropriate manner.

Councillor Goacher confirmed that he would support all the six proposals contained within the report, and he felt that the Council should not return to 'in person' meetings during the current Covid situation, although he would support hybrid meetings in the future. Speaking strictly of a time post-Covid, Councillor Goacher did express some concerns around the ability of all residents to be able to use technology to access remote meetings, and commented that remote meetings also removed some of the social, collaborative and ceremonial aspects of more traditional public meetings. Having studied the report, Councillor Goacher confirmed that he was particularly pleased with the level of engagement with public meetings via YouTube, with some meetings having been viewed hundreds of times, which was far in excess of attendance for physical meetings. Councillor Pearson supported the comments made, and he would support some meetings being carried out remotely ad infinitum where this was appropriate.

Councillor Dundas agreed with Councillor Goacher's comments, and he felt it important that in the future at least meetings of full Council were held in person as this would only be five times a year and would show the public some of the work of the Council. He consented that any future meetings would be dependent on government guidance following the ending of the current regulations on 7 May 2021. Councillor Dundas confirmed his support for the recommendations in the report, and



commented on some of the survey outcomes, explaining that he did not feel that remote meetings were necessarily longer, and noting that remote meetings seemed to be more popular with Officers than Members.

Councillor Pearson added his support to a review of the equipment being used and provided to Councillors and Officers with the intention of ensuring that participation in remote meetings was as easy as possible.

Councillor Willetts confirmed to the Committee that he would be happy to continue with remote meetings for ever and suggested that the Council lobby government as strongly as possible to ensure that this was possible in the future. He expressed his belief that the way that Local Government carried out business would change fundamentally in the future, particularly in areas like Colchester which included large rural areas with Councillors who had to journey some distance to attend physical meetings. He reminded the Committee that the purpose of any Committee was to take decisions, and not to provide entertainment, and he suggested that increased viewing of meetings should not necessarily be taken as an indication of successful governance. Councillor Willetts went on to express sought assurances as to how remote meetings would work with professionals attending and actively participating in the meeting. He further enquired whether the Protocol could be revisited to clarify whether or not Councillors were required to have their cameras on throughout the entirety of a meeting, citing examples where Councillors may wish to turn their cameras off by way of protest at a point being made in a meeting. He confirmed that he was an advocate of holding more frequent meetings remotely as these did not place the same strain on Officers and Councillors with regard to travel time, but that the more frequent meetings should then be shorter in duration. Councillor Willetts final point was to urge consideration be given to a more formal webcast system if there was ever a return to formal meetings, and that budget issues should not stop the Committee supporting this.

Councillor Pearson noted the comments about the length of meetings, and he raised the potential health issue of spending too long in front of a computer screen, suggesting that it may be more appropriate to introduce a break in meetings after ninety minutes.

Councillor McCarthy expressed his strong disagreement with points previously made that remote meetings should continue forever, as he felt that wholly remote meetings were damaging to democracy and decision making, which was better done in person or via hybrid meetings, once this was possible again. He also addressed points previously made about the length of meetings, and he felt that meetings were not too long, and there had only been two meetings which had approached the four hour mark, with the average meeting being about two hours in length, which was appropriate. Councillor McCarthy further requested that an additional report on remote working be presented to this Committee in March 2021, to re-evaluate the position in the light of the situation at that time.

Councillor Barlow suggested that the change in the way meetings were being held would lead to a change in the way that they were expected to be held in the future. With many people now used to remote meetings for their work, careful consideration



was needed to determine which business needed to be dealt with in person, and which could be dealt with remotely, and the Council would need to adapt to people's changing expectations. He supported the use of remote meetings for briefings, and suggested that the use of the 'chat function' contained within remote meeting software should be considered during public meetings, as this may enable simple questions to be asked and answered quickly without having to interrupt the main meeting. He also considered that ways of voting in remote meetings should be considered to potentially avoid the need for taking a roll call of Members each time a decision was required which could be time consuming, particularly in a Full Council meeting.

Andrew Weavers confirmed that he did not envisage a complete return to meetings in person after the pandemic, but rather considered that a form of hybrid meetings should be adopted to allow those Members who wished to, to attend in person. This would also allow Officers and members of the public to address the meeting remotely, and in offering more flexibility would allow greater participation in Council meetings.

*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.



### **230. Work Programme 2020-2021**

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

The Committee discussed the comments made by Councillor McCarthy during the meeting, and requested that a further report be brought to this Committee at its meeting in March 2021, focussing on an update on the Remote Meetings Protocol, the provision of equipment and a general overview of the current situation.

*RESOLVED* that the work programme be approved, subject to the addition of a further Review of Remote Working report to the agenda for the meeting in March 2021.



**19 January 2021**

<b>Report of</b>	<b>Assistant Director for Place &amp; Client Services</b>	<b>Author</b>	<b>Andrew Tyrrell (CBC) Paul Smith (CCHL)</b>
<b>Title</b>	<b>Colchester Commercial Holdings Ltd (CCHL) Business Plans 2021 - 2024</b>		
<b>Wards affected</b>	<b>All Wards</b>		

## 1. Executive Summary

- 1.1 In 2017 the Council set up a wholly owned company, Colchester Commercial Holdings Ltd (CCHL). Under CCHL, there are three subsidiary companies which have provided a diverse range of trading activities since April 2018; Colchester Amphora Energy Ltd (CAEL), Colchester Amphora Homes Ltd (CAHL) and Colchester Amphora Trading Ltd (CATL).
- 1.2 The companies had initial Business Plan periods spanning 3 years, for 2018-2021; with annual reviews of their Plans taking place at the Governance & Audit meetings of March 2019 and January 2020. The initial three-year Business Plan periods come to an end on 31 March 2021 and (under the Governance Agreement) new Business Plans will be required.
- 1.3 The new Business Plans shall be presented to the Governance and Audit Committee as the Shareholding Committee, to cover another 3-year period from 2021-2024. The Governance & Audit Committee are asked to review the Plans and make recommendations to Cabinet, who will then seek to agree the new Plans in March 2021.
- 1.4 In assisting the Committee, this Report also reminds the shareholder committee of the governance arrangements that the Council has in place in order to monitor and review the activities of the companies. The report also provides a short summary of achievements in this, challenging, financial year and updates from the Annual Report on performance that was considered by the Committee in June 2020.
- 1.5 It is a year in which a global pandemic has drastically affected the Council and the Company activities and posed many challenges, with impacts on some forecasted timelines and finances. However, it is also a period in which there have been some significant achievements, such as the completion of the Northern Gateway Sports Park, commencement of the first mixed-tenure housing scheme, and the significant investment secured in both Ultrafast Broadband and CCTV that is being delivered on schedule to provide critical infrastructure across the town.
- 1.6 The Council has also received two prestigious awards for being the 2020 "Best Commercial Council" at the MJ Awards and the "Entrepreneurial Council" at the LGC Awards; for setting up and operating the companies in the way that has achieved commercialisation while maintaining a public sector ethos.



## **2. Recommended Decisions**

- 2.1 To review, and make recommendations to Cabinet on, the new draft Colchester Commercial (Holdings) Limited Business Plans for 2021-24, and the subsidiary companies; including an overall recommendation to agree the Business Plans (with or without any changes).
- 2.2 To consider whether, given current global uncertainties, the Committee wish to recommend a shift to a 'rolling' three-year Business Plan period model to replace the set three-year Business Plan period.
- 2.3 To review the achievements of the Council's companies in 2020/21 and note the ongoing governance arrangements which are in place.

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

- 3.1 At the Annual Meeting on 23 May 2018, the Governance & Audit Committee's terms of reference were amended to include the responsibility to act as the shareholder committee for Colchester Commercial (Holdings) Limited. As part of this role the Committee is required:
  - To consider and review the activities and financial performance of Colchester Commercial (Holdings) Limited and its subsidiary companies.
  - To receive, review and recommend Colchester Commercial (Holdings) Limited's business plans (including its subsidiary companies) annually.
  - To monitor, challenge and make recommendations to Cabinet regarding Colchester Commercial (Holdings) Limited and its subsidiary companies.
  - To make recommendations to Cabinet on how it should exercise the functions flowing from its ownership of shares in Colchester Commercial (Holdings) Limited and its subsidiary companies.
  - To recommend the constitution and appointment of Members to the Board of Directors, including to recommend to Cabinet the appointment of additional Directors to the Board of Colchester Commercial (Holdings) Limited.
- 3.2 The Report, Appendices (both public and confidential), presentation and debate collectively provide the Committee with satisfactory information regarding the companies' performance to date and, importantly, the forecasted continuation of their business over the next three years, as required to fulfil the above role.

## **4. Alternative Options**

- 4.1 No alternative options are provided due to the required role of the Committee as shareholder, set out above.



## **5. Background Information**

### **5.1 Origins**

- 5.1.1 The Localism Act 2011 enabled local authorities to undertake activities designed to make a profit, but only if delivered within a trading company structure. Using these powers, the Council established wholly owned companies that were incorporated under the Companies Act 2006 on 1 June 2017 and began operating from 1 April 2018.
- 5.1.2 The original Business Plans covered a three-year period from 2018-21 and reflected the Council's aim to create a commercial approach to activities that could deliver some services and products directly, whilst generating profits that would be reinvested in the Council to help continue to deliver non-profitmaking services with social value. This public sector ethos, at the heart of the companies, remains a core purpose that will be increasingly important as the borough, Council and companies all recover from the current global pandemic. The companies enable the Council to operate its direct trading services and development functions within a more commercial culture, and to contribute towards the challenges of ongoing budget pressures.
- 5.1.3 Three subsidiary companies, each with distinct areas of trading, were also formed:
- Colchester Amphora Energy Ltd (CAEL)
  - Colchester Amphora Homes Ltd (CAHL)
  - Colchester Amphora Trading Ltd (CATL)

### **5.2 Governance Structure**

- 5.2.1 Good governance, accountability and transparency are essential to Council activities and a cornerstone to improving public services. In discharging this accountability, the Council is required to make proper arrangements for the governance of its companies. It was imperative that an appropriate governance structure was put in place to ensure the sound and robust management of the companies, alongside protection of the Council's financial and reputational investment in them.
- 5.2.2 CCHL is a private company limited by shares, with the Council being the sole shareholder. The Council consequently retains full control over the direction of the companies, manages the risks and receives the resulting financial and benefits. Profits made by the company are returned to the Council after tax via an annual dividend payment although there are other financial benefits to the Council too (e.g. see 5.4 below).
- 5.2.3 The Board of CCHL is made up of 4 Councillors, whilst the Managing Director of CCHL is also the Chief Executive of the Council. The shared representation on the Board ensures that the Council's direction is embedded within the holding company and its subsidiaries (whilst providing freedom to operate in a commercial marketplace). This has seen the companies driving forward delivery of several activities as outlined in the agreed Business Plans.
- 5.2.4 Each subsidiary also has a Board with three Directors; each with legal duties through the common law directors' duties and the statement of general directors' duties which are set out in the Companies Act 2006. These are not exhaustive in terms of the duties that are owed by a Director to an organisation. Board members are also subject to other legal duties, including many important legal obligations for making investments, disposing of property, health and safety requirements, employment laws, as examples.



### 5.3 Management Agreement

- 5.3.1 A Management Agreement between the Council and CCHL sets out how the companies will provide a range of services to the Council. The companies are then managed and monitored in accordance with the target budgets and other KPI's agreed with the Council under the Management Agreement.
- 5.3.2 Within the Management Agreement there is a schedule of Council and Company representatives and related arrangements for governance. Representatives meet in regular liaison meetings, where the Council, as "Client", monitors the provision of services, financial and budgetary performance, non-financial performance and other matters set out in the Management Agreement.
- 5.3.3 The Management Agreement also sets out audit requirements, with the companies subject to the same audit and inspection requirements as the Council. Copies of audited accounts must also be provided to the Council. Similar requirements also exist regarding complaints, enquiries and legal proceedings related to any services provided by the companies.
- 5.3.4 Budgets are set in accordance with the Council budget setting process, framework and timeframe. Submissions are made and considered as part of the overall annual Council budget process. This includes a Management Fee for services that the Council receives from the companies. This fee is set out in the Management Agreement and agreed annually, as part of the Council budget process.

### 5.4 Service Level Agreements (SLAs)

- 5.4.1 Alongside an annual dividend payment, the Council receives income from the companies rent for use of office space and other Council venues, as well as payments for services the companies receive from the Council. These services are outlined in a Service Level Agreement (SLA). The current SLA also runs from 1 April 2018 to 31 March 2021 mirroring the Business Plan period and is being renewed for 2021-24 to continue these arrangements.
- 5.4.2 The SLA forms another part of the intrinsic partnership between the Councils companies and the services provided by the Council. The SLAs govern the respective roles and responsibilities of each party in the provision of the paid services and provide service specification and standards. The following services are commissioned from the Council by CCHL:
- ICT and telephony
  - Communications, marketing and PR
  - Human Resources
  - Finance
  - Legal, audit, insurance, health and safety, procurement, security and post
  - Room and Hall keepers' services (Governance)
  - Accommodation
  - Fleet
  - Customer Services.
- 5.4.3 Performance of each service, delivery standards and any quality assurance matters are monitored at quarterly review meetings between named individuals within Council service areas and CCHL.

### 5.5 Business Plans



- 5.5.1 The companies' Business Plans must be delivered in full compliance with the governance requirements of the Council. The Business Plans require the agreement of the Cabinet following recommendations from this Committee as the shareholder duties set out (above).
- 5.5.2 The overarching Business Plan for CCHL (Colchester Commercial Holdings Ltd) reflects their holding company role in providing the strategic direction, financial performance monitoring and senior management capacity for the subsidiary companies. Although CCHL is a holding company, it does undertake some trading activities that are also set out in this overarching Business Plan. For example, CCHL also provides the senior management service and strategic direction to the Council's Sport and Leisure function.
- 5.5.3 As a Council-owned company, this Business Plan is shared openly and transparently as part of good governance that allows anyone to understand what the companies are designed to achieve, and the intentions over the Plan period. The subsidiary company Business Plans then add some finer details to those overarching aims, projects and workstreams; but are not shared publicly because they contain sensitive information that would disadvantage the commercial companies (e.g. with commercial competition in respective fields, in legal or financial negotiations, or during future contract tenders, etc).
- 5.5.4 The 2021-2024 CCHL Business Plan continues from the 2018-2021 plans. These had identified some growth objectives which (due to the global pandemic) have had to be realigned and, as expected, economic recovery in the post-Covid world is reflected in the new Business Plan. Alongside delivery of the management agreement services for the Council). The Plan sets out aims to:
- Continue to deliver against set targets
  - Return to the successful ongoing series of events that help raise Colchester's profile
  - Develop a second programme of sites for CAHL to continue building desirable homes
  - Carry on assisting with the 'New Council Affordable Housing Programme' for the Council
  - Open the completed Sports Park and continue delivering the Colchester Northern Gateway
  - Progress even further with the ongoing improvements and investment in Digital Technology in Broadband, Helpline and CCTV
  - Complete the commenced Colchester Northern Gateway (CNG) Heat Network and explore new opportunities to develop more low carbon projects in Colchester
  - Maintain a pipeline of other capital development projects that create new revenue incomes for the Council
  - Continue to explore markets for other CCHL products and services
- 5.5.5 The CAEL (Colchester Amphora Energy Ltd) Business Plan builds on the energy section of the CCHL Business Plan and sets out the rationale for the company activities. This was initially to focus on the Northern Gateway Heat Network which has completed successful trials, secured funding and started to be developed on site ready for the forthcoming 'Colchester Northern Gateway South' development. To be able to trade and supply heat the Council needs an energy company. The Council commitment to the low carbon agenda is demonstrated through CAEL operations, to provide leadership in the development of 'infrastructure-first' energy provision.
- 5.5.6 The resulting Northern Gateway Heat Network, which secured £3.45m of Department of Business, Enterprise and Industrial Strategy (BEIS) funding, will provide an innovative ultra-low carbon heat solution to residents, businesses and other commercial users as part of the proposed growth planned in this part of the borough. The project will be the



first of this scale in the UK and was 1 of only 9 pilot projects that gained grant funding nationally. The partnership structure between the Council and CAEL allows the grant funding to be combined with Renewable Heat Incentive (RHI) that will help increase financial benefits of this major infrastructure investment, in addition to the great social and environmental value this pioneering project achieves.

- 5.5.7 The 2021-24 CAEL Business Plan outlines the changes that have occurred over the last three years and how this project will evolve over the coming years following the Colchester Northern Gateway (CNG) south planning consent by the second quarter of 2021. The Northern Gateway Heat Network therefore remains the focus for CAEL (and the Council); however, the 2021-24 Plan also sets out other projects that are beginning to emerge, including the potential for an electricity 'microgrid' which would be powered through solar PV and most likely employ the use of batteries to retain peak generations of power.
- 5.5.8 The CAHL (Colchester Amphora Homes Ltd) Business Plan (21-24) reflects the completion of the first housing site by the 'new' company. It continues with the aims established in 2018: to respond to the need for more high-quality homes in the borough, including homes that are affordable for local people. This is now being achieved with developments that deliver cross subsidy mechanism with the target 30% affordable homes being provided alongside the sale of private market homes (and still creating a surplus to reinvest in other Council priorities). The company is due to complete its first homes at Creffield Road in April which has been the first demonstration of new mixed-tenure homes led by the Council (optimising existing assets) through its house building company.
- 5.5.9 The CAHL Business Plan from April 2021 also sets out how the company will try to develop several other sites, including two others that were agreed by Cabinet in October 2018 (St Runwald Street and Mill Road) that remain ongoing, as well as bringing forwards plans for some 'Phase 2' sites to develop a longer-term pipeline of new homes (and other beneficial development). The 'Phase 1' sites will deliver over 400 new homes (30% of these being affordable homes that are being retained in Council ownership using the Housing Revenue Account).
- 5.5.10 Finally, the three-year Business Plan for CATL (Colchester Amphora Trading Ltd) sets out how the company continues a range of commercial trading businesses and services to customers which generate income for the Council and raise the social and economic profile of Colchester as a place. CATL's offering has two main functions.
- Direct commercial trading services, including Helpline, Monitoring and CCTV and Events.
  - Professional property and business services offered initially to the Council and then to external clients as the company grows. These services include estates management of the Council's assets and commercial development and regeneration project management.
- 5.5.11 The CATL Business Plan highlights the direction of travel for the trading company services in recovery from the impacts of Covid-19. Areas such as Events, which were expanding very successfully prior to Covid-19 outbreaks, have been drastically affected throughout 2020-21. Recovery also outlines new business opportunities; for Events this focuses on growing the venues and introducing new markets, such as corporate functions. For Helpline, there are also new markets to be explored as the business is trading effectively and potential arises to make better use of the better digital technologies. Those digital technologies have also facilitated the new CCTV System



installed around the town due to complete shortly and which is already assisting with making the town centre safer.

- 5.5.12 The Local Full Fibre Network (LFFN) “Ultrafast Broadband” project that helped with CCTV digital upgrades, secured £3.3m of Department for Digital, Culture, Media & Sport (DCMS) grant that commenced spending in 2020. That start was co-ordinated and accelerated to minimise disruption in the High Street (during original lockdown periods). The investment and commencement at that time has since been expanding the town centre network north and east, which has led to an initial £10m of private inward investment from overseas (potentially rising to over £45m) that is already resulting in the Broadband the start of the network becoming available to the whole of urban Colchester (a project that continues into the new Plan period). This network will also now start to generate an annual income to the Council (as owner of the network managed by CATL).
- 5.5.13 For Development Services, CATLs Plan covers more work for the Council where CATL act as project managers, now that the Northern Gateway Sports Park, Jacks and The Mercury Theatre are completed. Whilst core capital projects, such as The Walk and the other Northern Gateway sites continue, work is also being picked up as ‘commissions’ for other Council departments, leading to plans to seek other public sector clients.

## 5.6 Key Achievements During 2020-21

- 5.6.1 Prior to the 2020-21 financial year the companies had hit their increasing dividend targets each year and had achieved several successful milestones on their establishment and growth. This led to Colchester Borough Council being named the ‘Best Commercial Council’ at the 2020 MJ Awards, as well as then scooping the award for ‘Entrepreneurial Council’ at the 2020 LGC Awards. These are very prestigious awards and acknowledge the innovative and forward-thinking approach the Council took in creating its companies, especially keeping a public sector ethos in their operation.
- 5.6.2 One of the deciding factors that clinched the awards was the range of complementing commercial pursuits that were seen to be a uniquely diverse mix of activities, making the Amphora Group capable of cross subsidising each subsidiary before returning a dividend to the Council. This allows the Council more control and capabilities in leading the delivery of multiple-faceted developments (combining and maximising links between housing, energy and trading activities) where many Council have only created a single housing company, or an events company, etc.
- 5.6.3 Like all companies, and the Council itself, the global pandemic of Coronavirus has had a profound impact on activities, affecting both financial and non-financial operations. 2020 was a year that challenged in unforeseeable ways and like no other year in living memory. Notwithstanding this, the companies will still manage to return a dividend profit to the Council in 2020/21, alongside some notable successes in their work.
- 5.6.4 In terms of highlights, given the Council declared a climate emergency, it is a huge achievement that CAEL has progressed through the trial exploration of boreholes to start building the infrastructure of the Northern Gateway Heat Network on site. The first pipes and inspection chambers were installed at Mill Road with the commencement of “The Walk”, ensuring that all necessary underground infrastructure was coordinated and installed at the same time (minimising cost and disruption across various projects, in addition to including the ultrafast broadband roll out).
- 5.6.5 This successful transition from feasibility phase, for such an experimental project, was a significant step. Having tackled various issues and obstacles that were all overcome to



reach implementation stages, many uncertainties have been removed and potential or theory has become a reality. The project has proven viable and now CAEL (and the Council) have begun delivering a significant flagship low-carbon heat generation network that will be the UK's biggest use of a ground-source heat. Consequently, the development has national significance, and has already attracted visits from academic and professional interests from the industry, due to their ability to learn from (and replicate) the innovative use of ground water to generate heat at this scale not otherwise available elsewhere in the UK.

- 5.6.6 In terms of housing achievements, like most industries CAHL have also faced several challenges in 2020 which they continue to overcome, but that has delayed some projects. Nonetheless, CAHL are continuing to progress "Phase 1" of their agreed development sites and will be delivering over 400 new homes in Colchester over the next few years. The first of these did commence development in summer 2020, and the Creffield Road development has since been managed on time and within budget, to bring these new homes into beneficial use from this April.
- 5.6.7 The contract was advanced at an uncertain time for the construction industry to help provide some local employment opportunities, with the winning company after competitive tender processes being from Tiptree. The site, despite different working practices on construction sites at present, progresses as planned. In addition, following the planning permission gained, the subsequent completion of the archaeological works at the start of this construction led to new learning about Roman Colchester's road network in this locality.
- 5.6.8 Benefitting from CAEL's delivery of the innovative heat network (above), the Mill Road site will also see CAHL delivering circa 350 homes (of which 105 are affordable homes). The wider site has proven more challenging than initially forecast, with the pandemic not helping the speed of progress, but an outline planning application is now expected to be approved within the next few months. Work on St Runwald Street also continues to conclude the "Phase 1" sites.
- 5.6.9 Throughout 2020 CAHL have also been managing projects to deliver entirely affordable housing on sites owned by the Council through its Housing Revenue Account (HRA). As with Creffield Road, the Council decided not to delay new contracts being tendered to provide employment opportunities at uncertain times which means that a steady flow of contractors for housebuilding carried on through 2020. As a result, Hardings Close is also due to complete in the Spring, followed by sites at Buffett Way, Scarfe Way and Military Road later in the year.
- 5.6.10 Similarly, CATL's "Development Services" have delivered several major projects and are continuing to deliver ongoing significant projects for the Council. Consequently, the first £2.9m of grant funding from Homes England was received by the Council in 2020, whilst £690k of Sports related grants have contributed towards the Sports Park. This funding has been helpful in providing a regionally significant venue with many sports and recreational offers when it opens. The "Wheels for All Cycling Partnership Project" saw a successful launch of an adaptive cycling programme for people with disabilities, whilst there is a "learn to ride" coach; ensuring that people of all ages and abilities will be able to enjoy this new inclusive facility to encourage healthier, active, lives.
- 5.6.11 In the town centre, construction managed by CATL has also helped the Council assist the roots of recovery. The £9m "Mercury Rising" Theatre expansion, though hindered, was the only construction site that managed to continue working non-stop throughout all stages of the Covid-19 pandemic and is almost ready to re-open. The refurbishment of



Jacks was also completed, restoring a historic town centre building and bringing it back in to practical use ready ahead of the forthcoming public realm works that the Town Deal advanced funding will help create in St. Nicholas Square.

- 5.6.12 The town centre is also beginning to benefit from the recently increased LFFN ultrafast gigabyte broadband coverage that CATL intensified in the town with the £3.3m DCMS funding received in 2020. This project was implemented during lockdown to minimise disruption to the High Street as businesses re-opened and included coordination with ECC (Essex County Council) over their own pavement repair works. Works in the wider town centre were then rolled out, with the network expansion continuing to the east towards the University, and to the Northern Gateway.
- 5.6.13 This LFFN project undertaken by CATL attracted an initial investment from VX Fiber to expand the network even further, into some of our more deprived wards, a project that has been so encouraging that VX are now seeking to invest a significant amount of extra funding into Colchester to link the whole urban area to ultrafast Broadband.
- 5.6.14 During the same period through the latter half of 2020, the Council also took advantage of the Broadband works to install a new, fit for the future, digital CCTV system. This assisted in the first arrest within days of becoming operational and has seen an upgrade that will help make the town centre safer for years to come. In 2021 the town will also benefit once again from CATL's delivery of major events programmes that were significantly affected in 2020.
- 5.6.15 Where many services were negatively affected by Covid, CATL continued to see some returning growth in the Helpline service and that service was so critical to many vulnerable people at times when they had no friends or family support available in 2020 and 2021.

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

- 6.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to:
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
  - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 6.2 The recommendations will have no disproportionate impact on any protected group.

## **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 in that Plan. The activities of the Council's companies contribute to most of the Strategic Plan priorities.

## **8. Consultation**

- 8.1 There is no specific consultation requirement generated in relation to this Report. The Business Plans are considered by the Governance & Audit Committee in their role as shareholder prior to them being put before Cabinet for approval, providing consultation and a chance to comment and make recommendation on the Plans.



## 9. Publicity Considerations

- 9.1 There is no specific publicity consideration in relation to this Report. Individual activities of the companies that require public consultation will undertake them at appropriate times, by stakeholder engagement workshops, planning application consultations, press releases and Council reports.

## 10. Financial implications

- 10.1 In terms of overall governance, the companies operate as separate organisations with financial regulations agreed by relevant company boards. Where the companies are spending money on behalf of the Council, such as sport and leisure, capital budgets within the RIF, then all approvals are required to be in line with normal Council procedures.
- 10.2 In terms of the financial assumptions and dividend targets, when the companies were set up the financial targets and estimated dividend for 2018/19, 2020/21 and 2021/22 were broadly based on existing budget assumptions when services were operating within the Council and some year-on-year growth and expansion targets.
- 10.3 The 2018/19, 2019/20 and 2020/21 target dividend was set out in the CCHL business plan and council budgets assumed an increase in income. In both the first and second years of trading activities these dividend targets were met, with a £107,000 increase achieved. The third year, the dividend target was affected significantly by the unpredictable nature of Covid-19 on the world, however, a revised dividend which was agreed by the Council in mid-2020 is set to be achieved for 2020/21.
- 10.4 The 2021-2024 Business Plan for CCHL sets out how it is expecting to deliver (once again) increased dividends for the Council over the 3-year Business Plan(s) period, so that the Council can benefit from this in providing our services to the public. The first year will still be affected by the Covid-19 pandemic. For 2021-2024 the Business Plans set out a forecast as follows:

**Table 1 - Group Consolidated Forecast**

	2021/22	2022/23	2023/24
<b>Income</b>	£6,269,387	£7,646,821	£8,089,825
<b>Expenditure</b>	£6,131,401	£6,664,259	£6,940,661
<b>Profit Before Tax</b>	£137,986	£982,563	£1,149,164
<b>Tax</b>	£26,217	£186,687	£218,341
<b>Profit Available For Distribution</b>	<b>£111,769</b>	<b>£795,876</b>	<b>£930,823</b>

- 10.5 The “profit available for distribution” will slightly differ to the past dividends as the “non-housing” profits remain entirely available to support the Council's revenue budget (as per previous years), but the newly incoming “housing profits” will also be used for funding



within the Council's capital programme and repayments of borrowing by the Council and CAHL, in addition to other reinvestment in Council services. This reflects past agreements on financial structuring (in 2018) of the housing company developments.

- 10.6 The companies also generate other income for the Council aside from the headline dividend. The companies pay rent for use of the Council office space that they occupy, they also pay for the services they receive from the Council under the SLAs, as well as paying for use of the Council's venues in order to deliver the commercial events programme.
- 10.7 The existence of commercial companies allows the Council to access funding streams that are not available to the public sector, and for funding to be combined in projects where the Council and its companies form a partnership (each accessing their own grant or funding).

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

- 11.1 Health and wellbeing is influenced by several factors, many of which fall under the responsibility of the Council. The Company activities span various aspects and assist the Council to do all it reasonably can to promote positive health benefits to our residents; whilst reducing, removing or minimising any unintended consequences to health that may arise from services or decisions. A number of the activities outlined in the main report, and the appended Business Plans demonstrate how health and wellbeing are being improved, such as the new Colchester Northern Gateway Sports Park, or the new CCTV system.

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

- 12.1 The matters herein do not result in harm to the health and safety of the general public. The work of the companies has individual health and safety requirements relevant to each activity. For example, construction is managed on site in accordance with a number of health and safety regulations.

## **13. Risk Management Implications**

- 13.1 CCHL has a risk register that is actively managed. Each of the subsidiary companies also have their own risk register. All the companies have a Business Continuity Plan.
- 13.2 The key risks associated with the companies concern the financial risk attached to the delivery of income targets (capital and revenue) and management of costs. This is actively managed through regular monitoring and reporting on the financial position and the governance arrangements detailed within the report.

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

- 14.1 The Council has declared a Climate Emergency and has committed to being carbon neutral by 2030. Many of the company activities are helping deliver projects that will contribute towards the achievement of sustainable development as defined in the National Planning Policy Framework. Achieving sustainable development means that the meeting three overarching objectives, which are interdependent and need to be pursued in mutually supportive ways. These are economic, social and environmental objectives.



14.2 This report and the Business Plans outline the activities of the companies. Projects such as the delivery of homes, jobs and sports and leisure provision, contribute towards sustainable communities. Projects such as the Heat Network, an innovative low-carbon energy network, make positive contributions to reducing the impact of growth. Thus, in summary, activities undertaken by the Council through its companies has considered the Climate Emergency and the sustainable development objectives set out in the National Planning Policy Framework (NPPF).

## **15. Appendices**

### **PUBLIC Appendix**

Appendix A: CCHL Business Plan 2021-24

### **CONFIDENTIAL Appendices**

Appendix B: CAEL Business Plan 2021-24

Appendix C: CAHL Business Plan 2021-24

Appendix D: CATL Business Plan 2021-24

PLEASE NOTE that these 3 Business Plans contain commercially sensitive details and are confidential; but the overarching activities within them are consistent with, and reflected within, the public Business Plan for CCHL.





[www.colchesteramphora.com](http://www.colchesteramphora.com)



Colchester  
COMMERCIAL HOLDINGS



# Business Plan

April 2021 - March 2024





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EXECUTIVE SUMMARY

Colchester Commercial (Holdings) Ltd (CCHL) is the holding company for its three Amphora subsidiaries:

- Colchester Amphora Energy Ltd (CAEL)
- Colchester Amphora Homes Ltd (CAHL)
- Colchester Amphora Trading Ltd (CATL)

The three Amphora companies provide a wide range of services within the Borough of Colchester, covering property development; sustainable energy solutions and property management; events, weddings and venue hire; Helpline, CCTV and leisure. These high-quality commercial businesses maintain the strong public sector focus of Colchester Borough Council (CBC), CCHL’s sole shareholder. Profits are returned to the Council to support the delivery of services to the borough’s residents.

In addition, CCHL also provides strategic management of CBC’s Sports and Leisure services, however its budget and associated resources remain within the Council’s direct control.

OUR OBJECTIVES

Our objectives are to:

- Generate a group profit to maintain the viability of the business and create a trading surplus for distribution to Colchester Borough Council.
- Operate in a commercial and innovative manner, exploring options for development and expansion.
- Provide our clients with high-quality products and services.
- Improve the quality and availability of homes for private sale and affordable rent for local people.
- Capitalise on our unique product and services range to increase the provision of sustainable energy.
- Build the brand of Colchester as a place for business, investment, sustainable living and leisure.



# STRUCTURE AND GOVERNANCE

CCHL is a company limited by shares, wholly owned by Colchester Borough Council.

There are five board directors:

- **Cllr Nick Barlow** – Board Chair
- **Adrian Pritchard** – Board Director, MD of CCHL and CEO of CBC.
- **Cllr Martin Goss** – Board Director
- **Cllr Brian Jarvis** – Board Director
- **Cllr Martyn Warnes** – Board Director

The directors are responsible for making decisions, providing leadership and monitoring the performance of the company. They are responsible for obtaining appropriate legal, financial and tax advice to enable them to make informed decisions about the running of the company. In addition, directors are responsible for maintaining and regularly reviewing a robust risk management framework.

The board meets on a quarterly basis and is bound by the Articles of Association and associated Code of Conduct.

The Articles of Association govern the decision making and by whom. The company is required to comply with all laws governing private limited companies, such as the Companies Act 2006 and the regulatory regime for local authority companies under the Local Government and Housing Act 1989.

The board of directors is responsible for significant decisions regarding business development and the day to day operation of the company. The Cabinet, on behalf of the Council, is required to approve any decisions that would affect the shareholder’s rights, under the Group Governance Agreement between CBC and CCHL and its subsidiaries.

Any net profits made will either be available for distribution to CBC as required, for the Council to invest in local services, or will be reinvested back into the companies to ensure every opportunity is sought for continued income generation.

At quarterly board meetings, held on such dates as the directors agree, each director has one vote. Agendas are prepared and distributed no less than five business days prior to the meetings.

This Business Plan will be delivered in full compliance with the governance requirements set out by the Group Governance Agreement between CBC and CCHL and its subsidiaries.

CCHL establishes and maintains an effective service and financial performance management reporting system, which will include effective reports to CCHL Board and CBC’s Governance & Audit Committee (shareholder committee). CCHL is subject to any audit and inspection requirements of the Council.

# CBC’S GOVERNANCE & AUDIT COMMITTEE

CCHL reports to CBC’s Governance & Audit Committee to:

- Consider and review its activities and financial performance.
- Receive, review and recommend to Cabinet the CCHL set of business plans and annual audit report.
- Monitor, challenge and make recommendations to Cabinet, regarding CCHL and its subsidiaries’ activities.
- Make recommendations to Cabinet on how it should exercise functions flowing from its shareholder role.
- Recommend constitution and appointment of additional CCHL board members to Cabinet.

# POLICIES AND PROCEDURES

CCHL uses a combination of CBC and CCHL policies and procedures and will review and refine these, over time, to ensure that they remain fit for purpose. CCHL is also subject to the Council’s procurement policies.

# DATA PROTECTION

CCHL complies with the relevant legislation and guidance concerning Data Protection, including adopting suitable policies and procedures to ensure data is adequately safeguarded.

# FREEDOM OF INFORMATION

CCHL is subject to requests for the disclosure of information under the Freedom of Information Act 2000. As such, CCHL maintains a record management system that complies with the relevant guidance concerning the maintenance and management of records.

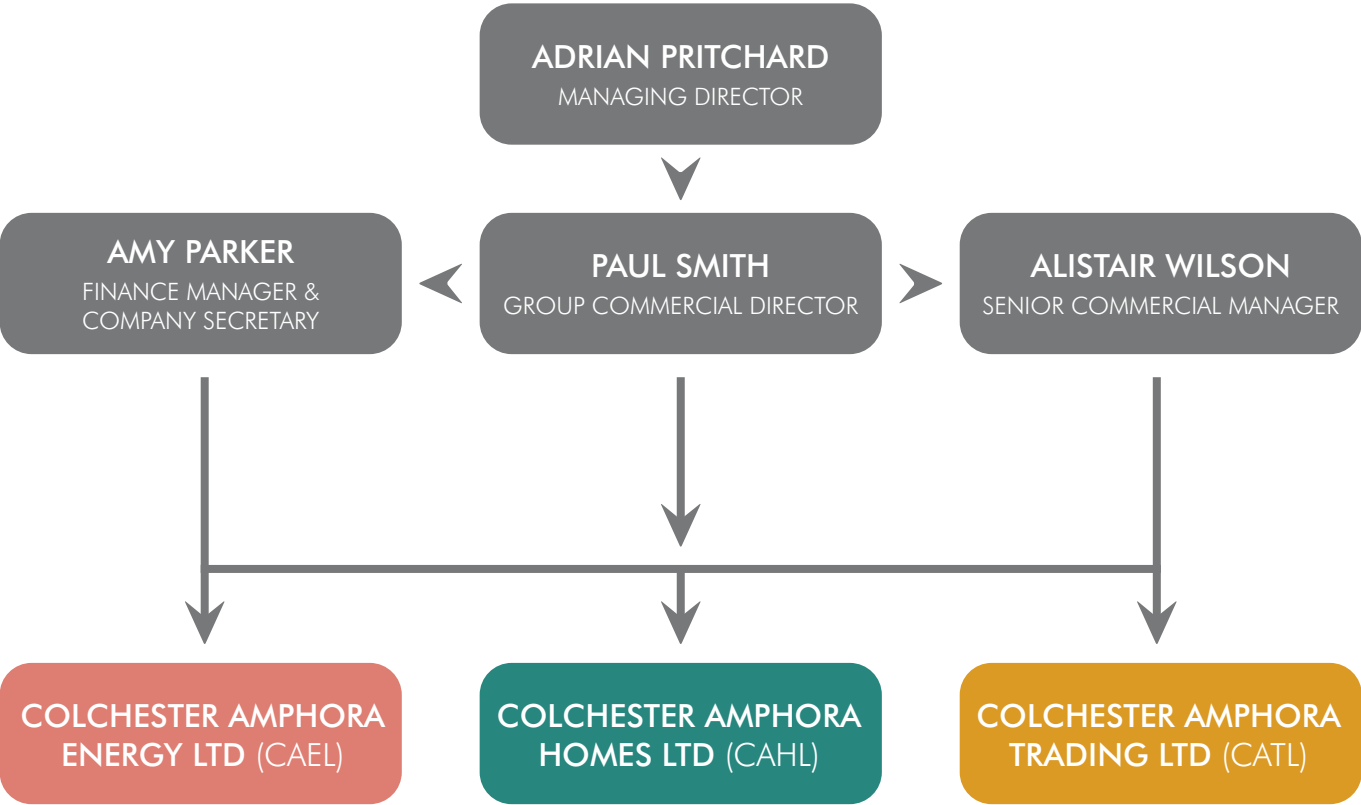
CCHL liaises with CBC, as appropriate, to ensure consistency in answering FOI requests and provide such information to CBC as may be required to answer requests it has received.



MANAGEMENT

The senior management of CCHL, as listed below, will produce an annual report on company performance to be taken to CBC’s Governance & Audit Committee in June each year.

- **Adrian Pritchard** – Managing Director
- **Paul Smith** – Group Commercial Director
- **Alistair Wilson** – Senior Commercial Manager
- **Amy Parker** – Finance Manager & Company Secretary



RESOURCES

There is a small support team for the senior management of CCHL, including a Personal Assistant, a Finance Assistant and a Marketing and Communications Manager – all three of whom support both the holding company and the activities of the three Amphora subsidiaries.

It is not currently envisaged that this small CCHL team will need to be expanded within this Business Plan period.

SERVICE LEVEL AGREEMENTS

CBC continues to provide support services to CCHL through Service Level Agreements (SLAs). Each SLA includes measurable performance indicators, break clauses and remedies for non-performance. There is an annual review process whereby SLAs are refined to more accurately reflect the support required by CCHL.

Services cover:

- HR support, including recruitment, training and payroll
- Finance - transactional finance functions and financial control activities
- IT - provision of IT equipment and services, including helpdesk support
- Customer Services - phone answering service and telephone payment transactions
- Insurance provision (buildings, vehicles, employers and public liability)
- Legal support - as and when required
- Communications and marketing support
- Provision of fleet services

SUPPORTING THE COUNCIL’S KEY PRIORITIES

CCHL supports CBC’s objectives in its Strategic Plan 2020-23 to:

- Tackle climate challenge and lead sustainability
- Create safe, healthy and active communities
- Deliver homes for people who need them
- Grow a fair economy so everyone benefits
- Celebrate our heritage and culture



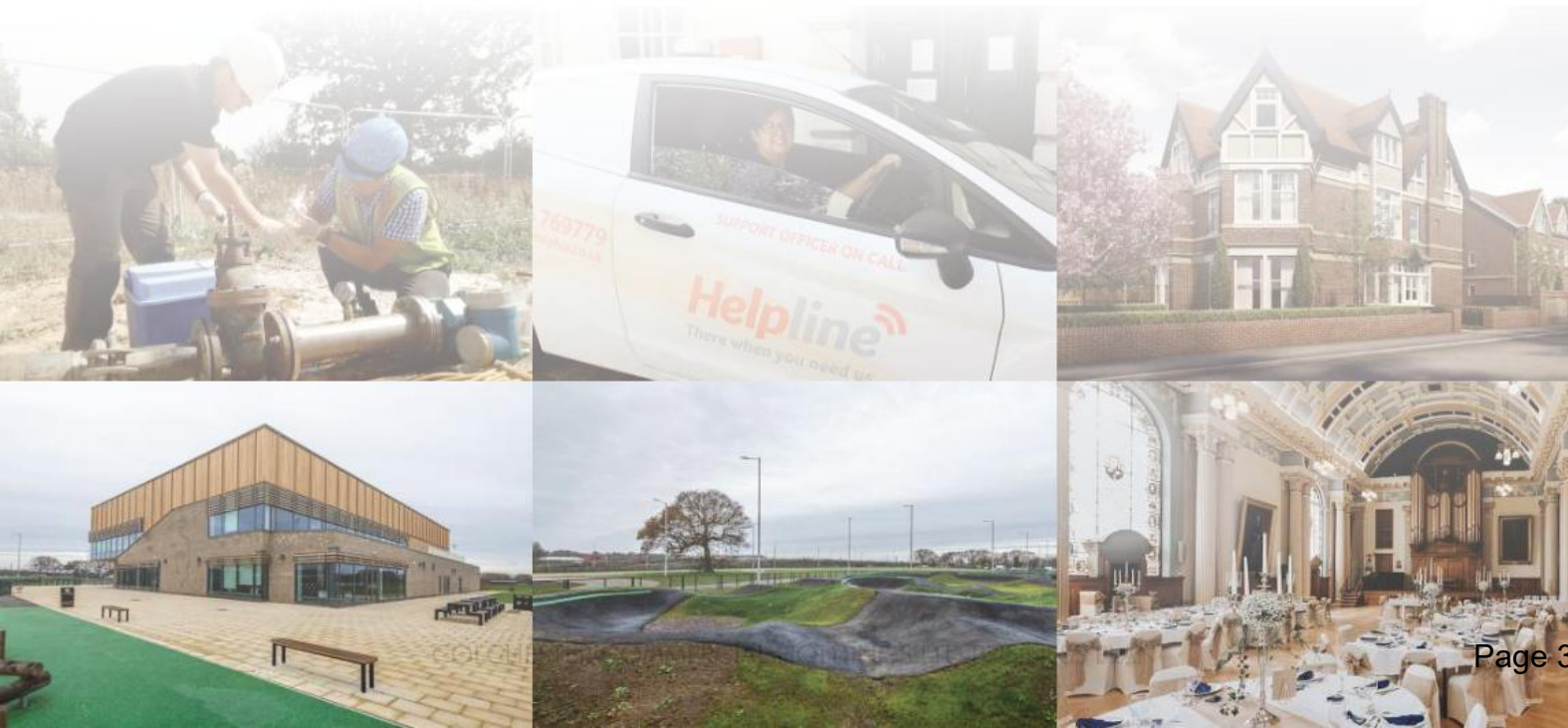
## OUR SERVICES

### COLCHESTER COMMERCIAL (HOLDINGS) LTD (CCHL)

CCHL is the holding company for three separate Amphora subsidiaries which provide a wide range of services within the Borough of Colchester:

- New and regeneration property development
- Sustainable energy solutions
- Asset management
- Events, including weddings, outdoor events and venue hire;
- Helpline care service
- CCTV monitoring
- A local full fibre network
- Strategic management of Sports and Leisure services

In addition, CCHL also provides strategic management of CBC's Sports and Leisure services, however its budget and associated resources remain within the Council's direct control.



### COLCHESTER AMPHORA ENERGY LIMITED (CAEL)

Colchester Amphora Energy Limited (CAEL) promotes the use of local low-carbon sources of heat and power through a range of projects and initiatives, whilst also providing new sources of commercial income for CBC.

### COLCHESTER AMPHORA HOMES LIMITED (CAHL)

Colchester Amphora Homes Ltd (CAHL) was established to grow levels of development income by open market sale across a range of sites, currently in the ownership of the Council, whilst exploring other opportunities to support income and services to CBC for redeveloping garage sites and other Housing Revenue Account (HRA) land and affordable only properties.

CAHL is also responding to the need for more high-quality homes in the borough, which could be affordable for local people. This will provide a future income opportunity for the Council by optimising existing assets in its ownership and recycling any profits from development back to the local authority for reinvestment into core services.

### COLCHESTER AMPHORA TRADING LIMITED (CATL)

Colchester Amphora Trading Limited (CATL) is a diverse company with an eclectic mix of trading services, property consultancy, capital project development and delivery of key commercial services and functions for CBC, for which CATL receives a management fee.

CATL's primary objective is to grow levels of commercial income across a range of property management and services which support the delivery of council priorities throughout the borough. Its focus is to generate income and maintain high quality levels of service delivery within an ethos which reflects the public service nature of CBC.



## ADDITIONAL BENEFITS TO THE COUNCIL

The major benefits for Colchester Borough Council in establishing its Amphora Group of commercial companies, goes beyond the financial distribution of profits, to include:

- Interest differential between CBC interest rate borrowing and interest rate charged from CCHL loan
- A Local Full Fibre Network income
- Employers pension cost savings against the local authority pension scheme
- CBC property leasing agreements
- An annual license income for each Events venue c£4k pa
- VAT recoverable on Amphora construction projects
- Cost effective project management fees
- Restructuring of Sports and Leisure management structure
- Expert advice at no additional charge. This includes a contribution to CBC's climate change team and providing project initiation, opportunities and advice on technical issues.
- Capital receipts - CCHL's asset management team has generated £2m of capital receipts since 2017
- Showcasing innovation and partnership via national awards programmes

The above benefits (excluding the £2m capital receipts) have generated approximately £721k of additional financial benefit to CBC for the year ending 31 March 2021.

### Business and economic benefits to Colchester

- All residential development includes 30% Affordable Housing
- An increase in car park income, generating from tens of thousands of annual visitors to CATL events
- A wider economic benefit to hospitality and retail from impact of large-scale events with substantial increase in visitor numbers frequenting the town's restaurants, pubs and hotels

**ACHIEVEMENT  
AWARDS 2020**  
**WINNER** **THE MJ**

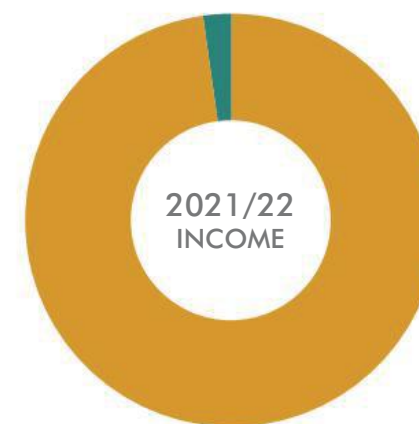
**LGO Awards**  
**2020**  
**WINNER**

## FINANCIAL PROJECTIONS

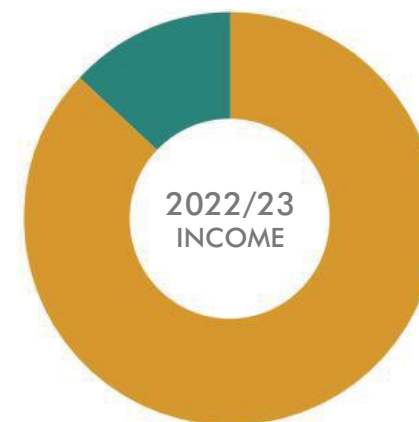
### Group Consolidated Forecast

The table below provides a summary of CCHL's income and expenditure forecast for the next three years.

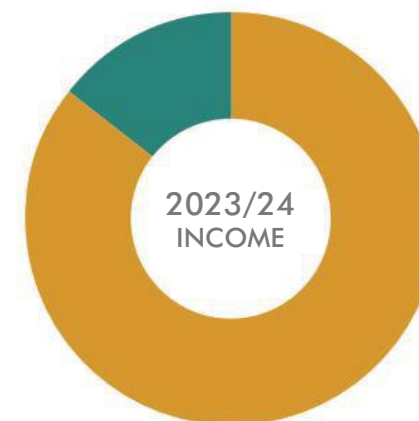
■ Expenditure ■ Profit before tax



Income:	£6,269,387
Expenditure:	£6,131,401
Profit before tax:	£137,986
Tax:	£26,217
Profit available for distribution:	£111,769



Income:	£7,646,821
Expenditure:	£6,664,259
Profit before tax:	£982,563
Tax:	£186,687
Profit available for distribution:	£795,876



Income:	£8,089,825
Expenditure:	£6,940,661
Profit before tax:	£1,149,164
Tax:	£218,341
Profit available for distribution:	£930,823



19<sup>th</sup> January 2021

<b>Report of</b>	<b>Assistant Director of Policy and Improvement</b>	<b>Author</b>	<b>Paul Cook</b> ☎ 505861 <b>Mark Jarvis</b> ☎ 282774
<b>Title</b>	<b>Annual Audit Letter 2019/20 / Redmond Review Update</b>		
<b>Wards affected</b>	All		

## 1. Executive Summary

- 1.1 The Annual Audit Letter summarises the conclusions and any significant issues arising from BDO's audit procedures for the year ended 31 March 2020.
- 1.2 The audit was completed within the revised statutory deadlines.
- 1.3 As part of the local government financial settlement, the Ministry of Housing, Communities and Local Government (MHCLG) published its response to the recommendation of the Redmond review. The recommendations and response are included in the main section of the report.

## 2. Recommended Decision

- 2.1 To consider and note the contents of the 2019/20 Annual Audit Letter.
- 2.2 To note the potential changes to the audit process as a result of the Redmond review.

## 3. Reason for Recommended Decision

- 3.1 The Accounts and Audit Regulations require the Council to consider the Annual Audit Letter.

## 4. Alternative Options

- 4.1 Not applicable



## 5. Background Information

- 5.1 The statement of Accounts was signed on the 10<sup>th</sup> of June 2020, over 2 months before the statutory deadline.
- 5.2 The Audit Results Report was presented to the Committee on 24 November 2020.
- 5.3 The auditors completed the audit in accordance with the requirements of the accounts and Audit (Coronavirus) (Amendment) Regulations 2020 and prior the revised 30th November deadline.
- 5.4 On the 17<sup>th</sup> of December MHCLG published their response to the 23 recommendations proposed by the review into the effectiveness of local authority financial reporting and audit. Details of the recommendation are included in the report.
- 5.5 In early 2021, the auditors will also issue a report to the Committee in the event of any issues arising from the grant certification work they have undertaken.

## 6. Overview

### 2019-20 Audit of accounts

- 6.1 The 2019/20 Annual Audit Letter is attached to this report as an appendix. This gives details of the audit findings found during the audit.
- 6.2 The areas of work and their main conclusions are summarised in the following table:

Area of Work	Conclusion
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended.
Management override of controls	No issues were identified by our audit of journals and accounting estimates for management override of controls or management bias.
Revenue and expenditure recognition	No issues identified.
Valuation of non-current assets and Pension Liability	No matters to report however given the circumstances around the coronavirus valuers have highlighted that there is a high degree of uncertainty over valuations due to the coronavirus
financials General ledger system upgrade	No issues identified

- 6.3 On the 4<sup>th</sup> of December 2020, the Public Sector Audit Appointments (PSAA) confirmed that 55% of audits (265 Local authorities) failed to meet the revised statutory deadline.

### Redmond Review



- 6.4 The 2021/22 financial settlement included MHCLG's response to the Redmond review. The Redmond review highlighted a number of weaknesses with the current local government framework and highlighted 5 areas that need to be reviewed containing 23 recommendations.
- 6.5 The response from MHCLG can be found in appendix B however details of the 5 subheadings and recommendations can be found below.

**1. Action to support immediate market stability**

- a. Training be provided to all auditors regardless of seniority
- b. Revising the fee structure
- c. Allow other audit firms into the market
- d. Statutory reporting deadline extended to the 30<sup>th</sup> September
- e. Revision to local authority audit deadlines to be considered in conjunctions NHS audits

**2. Consideration of system leadership options**

- a. New body to manage, oversee and regulate local audits (Office of Local Audit and regulation OLAR)
- b. Review roles of the Financial Reporting Council, Institute of Chartered Accountants in England and Wales and Public Sector Audit Appointments with the view to transfer these to OLAR.
- c. Establish a Liaison Committee to receive reports from the new regulator.
- d. Provide OLAR with the power to apply sanctions where serious or persistent breaches of expected standards
- e. OLAR to undertake a review to assess the audit consideration of financial resilience and value for money
- f. That MHCLG review its framework on financial sustainability.

**3. Enhancing the functioning of local audit, and the governance for responding to its findings**

- a. Changes to local authority governance arrangements including:
  - i. Annual reports to be presented to Full Council.
  - ii. Consideration of one independent member, suitable qualified to the audit committee
  - iii. Chief Financial Officer to meet with key parent annually.
- b. Recognising the role of internal audit
- c. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified
- d. Key concerns relating to service and financial viability be shared between local auditors and inspectorates

**4. Improving transparency of local authorities' accounts to the public**

- a. Additional "standardised statement of service" information and costs be prepared alongside the statutory accounts.
- b. The standardised statement would be subject to audit.
- c. Review the optimum means of communicating information to Council Taxpayers and service users.
- d. CIPFA / LASAAC to assess scope of reducing the content of the local authority accounts.

**5. Action to further consider the functioning of local audit for smaller bodies**



- a. Review the required level of audit work for smaller sized organisations such as Parishes
- b. Examine the arrangements for increasing audit activities and fees for organisations with a turnover of over £6.5m
- c. Review arrangements with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.
- d. Review the need for specific returns for smaller organisations

## **7. Equality, Diversity and Human Rights implications**

7.1 Not applicable

## **8. Standard References**

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

## **9. Strategic Plan References**

9.1 The objectives and priorities of the Strategic Plan informed all stages of the budget process for 2019/20.

## **10. Consultation**

10.1 The Statement of Accounts, Audit Completion report and Annual Audit Letter has been published on the Council's website

## **11. Publicity Considerations**

11.1 The public inspection notice commenced on the 13<sup>th</sup> July 2020 for a 6-week period.

## **12. Financial implications**

12.1 The 2019/20 audit fees are detailed in the Annual Audit Letter. Additional fees have been incurred due to:

- Greater complexity given the inclusion of Colchester Commercial Holdings Limited (CCHL)
- Asset and Pension Valuations
- Additional unplanned work as a result of the audit findings in relation to CCHL.

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

13.1 Not applicable

## **14. Health and Safety Implications**

14.1 Not applicable

## **15. Risk Management Implications**

15.1 Not applicable

## **16. Environmental and Sustainability Implications**



16.1 Not applicable

## **Appendices**

Appendix A – 2019/20 Annual Audit Letter

Appendix B – MHCLG response to the Redmond Review

## **Background Papers**

2019/20 Statement of Accounts

Audit Completion Report









# COLCHESTER BOROUGH COUNCIL

Annual Audit Letter

Year ended 31 March 2020

IDEAS | PEOPLE | TRUST





# EXECUTIVE SUMMARY

## Purpose of the Annual Audit Letter

This Annual Audit Letter summarises the key issues arising from the work that we carried out in respect of the year ended 31 March 2020.

It is addressed to the Council but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

## Responsibilities of auditors and the Council

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

- Our opinion on the financial statements; and
- Whether the Council have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

BDO LLP

6 January 2020

## Audit conclusions

Audit area	Conclusion
Financial statements	Unqualified opinion, with an emphasis of matter in respect of the valuation of land and buildings and the valuation of pooled property assets within the pension fund, due to a material uncertainty included in the final valuation report by the valuers of these assets. Issued on 30 November 2020.
Use of resources	Unmodified conclusion issued on 30 November 2020.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.



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# FINANCIAL STATEMENTS

## Audit conclusion

We issued our audit report on 30 November 2020.

We issued an unqualified audit opinion on the financial statements. This means that we consider that the financial statements:

- Give a true and fair view of the financial position and income and expenditure for the year
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting 2019/20.

## Final materiality

Final materiality was calculated at £3,320,000 based on a benchmark of 2% of gross expenditure.

## Material misstatements

We identified one material misstatement in the Council's draft accounts. This only affected a disclosure note within the financial instruments note on the maturity analysis of financial liabilities and was corrected by management.

## Unadjusted audit differences

We identified audit adjustments, the net impact of which if posted, would decrease the net deficit on provision of services for the year by £1,455,000.

We reported these audit differences and the Governance and Audit Committee accepted management's decision not to amend the Statement of Accounts for these differences because the impact was not material.



# FINANCIAL STATEMENTS

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and the direction of the efforts of the audit team.

Risk description	How the risk was addressed by our audit	Results
Management override of controls	We carried out the following planned audit procedures:	We used our data analytics tools to inspect journals processed throughout the year and as part of the financial reporting close process for any unusual transactions.
Auditing standards presume that management is in a unique position to perpetrate fraud by overriding controls	<ul style="list-style-type: none"> <li>Reviewed and verified journal entries made in the year, agreeing the journals to supporting documentation. We determined key risk characteristics to filter the population of journals. We used our IT team to assist with the journal extraction</li> <li>Reviewed estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias</li> <li>Reviewed unadjusted audit differences for indications of bias or deliberate misstatement.</li> <li>Considered the operation of the control environment to ensure that in light of remote working and response to COVID-19 there has been no lapse in the operation of the control environment.</li> </ul>	<p>We identified a number of journal entries that we considered to be high risk. All were agreed to supporting documentation, with appropriate explanations obtained for all journals identified.</p> <p>We assessed and corroborated significant management estimates and judgements in the following key areas:</p> <ul style="list-style-type: none"> <li>Valuation of land and buildings</li> <li>Pension liability</li> <li>Non-domestic rates appeals provision</li> <li>Non-collection of receivables</li> <li>Depreciation/Amortisation</li> </ul> <p>We found no evidence of management override or bias for these estimates.</p> <p>Our review of unadjusted audit differences did not identify any indications of bias or deliberate misstatement.</p> <p>Our review of the control environment found there had been no lapse in the operation of the control environment.</p>



# FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
<p>Revenue Recognition</p> <p>Auditing standards presume that income recognition presents a fraud risk.</p> <p>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.</p>	<p>We tested an increased sample of grants subject to performance conditions to confirm that the conditions of the grant had been met before the income was recognised in the Comprehensive Income and Expenditure Statement.</p>	<p>We tested a sample of:</p> <ul style="list-style-type: none"> <li>• items that had been credited to services</li> <li>• items credited to taxation and non specific grant income</li> </ul> <p>The correct accounting treatment had been applied dependent upon the status of conditions attached to the grant.</p>
<p>Expenditure cut off</p> <p>For public sector bodies the risk of fraud related to expenditure is also relevant.</p>	<p>We checked that expenditure is recognised in the correct accounting period by substantively testing expenditure around year-end.</p> <p>We used a lower sample selection threshold for testing than we would if the risk had not been significant.</p> <p>We carried out top up testing as part of our subsequent events work to cover the period from fieldwork to the date of signing.</p>	<p>We substantively tested expenditure transactions throughout the year and around year end to check that expenditure is recognised in the correct accounting period, is classified correctly and accurately recorded.</p> <p>Our audit work did not identify any issues.</p>



# FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
<p>Valuation of non-current assets</p> <p>The valuation of non-current assets is a significant risk as it involves a high degree of estimation uncertainty.</p>	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none"> <li>• Reviewed 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</li> <li>• Confirmed that the basis of valuation for assets valued in year is appropriate based on their usage</li> <li>• Reviewed the accuracy and completeness of information provided to the valuer, such as rental agreements and sizes</li> <li>• Reviewed assumptions used by the valuer and movements against relevant indices for similar classes of assets</li> <li>• Followed up on valuation movements that appear unusual</li> <li>• Confirmed that assets not specifically valued in the year have been assessed to ensure their reported values remained materially correct.</li> </ul>	<p>From our review of the instructions provided to the valuer and our assessment of the expertise of the valuer, we satisfied ourselves that we could rely on their work.</p> <p>We were satisfied that the valuation of the Council's non current assets was completed appropriately and materially accurate.</p> <p>The valuer included a material uncertainty statement in their final valuation reports in respect of the year-end valuations, in light of circumstances surrounding coronavirus. We included an Emphasis of Matter in our audit report to highlight this uncertainty.</p>



# FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
<p>Valuation of Pension Liability</p> <p>The valuation of the pension liability is a significant risk as it involves a high degree of estimation uncertainty</p>	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none"> <li>• Agreed the disclosures to the information provided by the pension fund actuary</li> <li>• Reviewed the competence of the management expert (actuary)</li> <li>• Reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data</li> <li>• Reviewed the controls in place for providing accurate membership data to the actuary</li> <li>• Contacted the pension fund auditor, requesting confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data</li> <li>• Checked that any significant changes in membership data had been communicated to the actuary.</li> </ul>	<p>No issues were found in assessing the competency of managements experts, or, in the agreement of disclosures to the information provided by the actuary.</p> <p>We compared the key financial and demographic assumptions used by the actuary, to an acceptable range provided by a consulting actuary commissioned for local public auditors by the NAO. We considered that the assumptions and methodology used by the Pension Fund actuary were appropriate.</p> <p>We obtained assurance from the auditors of the Essex Pension fund over the controls in place for providing accurate membership data to the actuary and the testing of that data.</p> <p>The pension fund auditor has confirmed in their assurance letter that the valuation of property assets has been reported on the basis of 'material valuation uncertainty' in light of circumstances surrounding coronavirus. We included an Emphasis of Matter in our audit report to highlight this uncertainty.</p>



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## FINANCIAL STATEMENTS

Risk description	How the risk was addressed by our audit	Results
eFinancials General ledger system upgrade  There is a risk that balances are not transferred correctly resulting in a material misstatement to the financial statements	We reviewed the system implementation procedures undertaken by the Council and substantively tested the data migration to ensure that balances had been appropriately transferred between the old system and the new system.	We concluded that the most efficient way to test the migration was to substantively test the transfer to the new system.  We agreed that each balance had been correctly transferred from the old system to the new system.

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## USE OF RESOURCES

### Audit conclusion

We issued an unmodified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. This means that we consider that in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We set out below the risk that had the greatest effect on our audit strategy.

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Risk description	How the risk was addressed by our audit	Results
The Council will need to deliver its savings and achieve income targets to maintain financial sustainability in the medium term and there is a risk that these projections will not be met.	<p>We carried out the following planned audit procedures:</p> <ul style="list-style-type: none"><li>• Reviewed the assumptions used in the Medium Term Financial Forecast, particularly around the likely levels of income from commercial activities</li><li>• Monitored the delivery of the budgeted savings in 2019/20 and the plans to deliver identified savings for 2020/21</li><li>• Sampled a number of savings schemes and plans</li><li>• Held interviews with key officers</li></ul>	<p>The Council achieved its savings target for the year, with some savings in the budget which were not achieved being offset by savings elsewhere. An updated medium term financial strategy to 2024/25 was approved by Cabinet in October 2020.</p> <p>The planned savings for 2020/21 of £1.5 million have all been identified.</p> <p>Due to covid-19 the Council has been affected with a loss of income - this is forecast to be in the region of £9.092m for 20/21. The impact for 2019/20 was considered relatively small as the effect was only felt at the end of March 2020.</p> <p>The Council is planning to use £6.209m of reserves in the period 2020-2022 in order to balance the budget and currently have a budget gap of £2.574m in 2022/23. The Council has sufficient reserves to cover the gaps in the medium term.</p> <p>We are satisfied that the Council has adequate arrangements for setting and monitoring financial budgets and forecasts. While there is a recognised funding gap in the medium term, we are satisfied that the Council is making appropriate arrangements to manage this in a way that will ensure it continues to remain financially sustainable.</p>



## REPORTS ISSUED AND FEES

### Fees summary

	2019/20	2018/19
	£	£
Audit fee	TBC	£48,188
Audit fee - PSAA scale fee	£48,188	£48,188
Proposed Amendment	TBC <sup>1</sup>	-
Non-audit assurance services ( Fees for reporting on Government grants)	£18,390	£18,390
Housing benefit subsidy claim	£TBC <sup>2</sup>	£13,640
Pooling of Housing capital receipts return	£4,750	£4,750
Total fees	TBC	£66,578

<sup>1</sup> An additional fee for 2019/20 will be agreed with management at a meeting later this month. Any fee variation will require approval from PSAA.

<sup>2</sup> Work is ongoing and so we are unable to conclude on the final fee until the work is complete.

### Communication

Communication	Date (to be) communicated	To whom
Audit Planning Report	10 March 2020	Governance and Audit Committee
Audit Completion report	24 November 2020	Governance and Audit Committee
Annual Audit Letter	19 January 2021	Governance and Audit Committee



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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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### Annex A: Summary of MHCLG's response to the recommendations made by the Redmond Review.

#### Action to support immediate market stability (recommendations 5, 6, 8, 10, 11)

Recommendation	MHCLG Response
5. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.	<b>Agree</b> ; we will work with key stakeholders to deliver this recommendation
6. The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.	<b>Agree</b> ; we will look to revise regulations to enable PSAA to set fees that better reflect the cost to audit firms of undertaking additional work
8. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.	<b>Part agree</b> ; we will work with the FRC and ICAEW to deliver this recommendation, including whether changes to statute are required
10. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.	<b>Part agree</b> ; we will look to extend the deadline to 30 September for publishing audited local authority accounts for two years, and then review
11. The revised deadline for publication of audited local authority accounts be considered in consultation with NHSI(E) and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.	<b>Agree</b>



**Consideration of system leadership options (recommendations 1, 2, 3, 7, 13, 17)**

Recommendation	MHCLG response
<p>1. A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:</p> <ul style="list-style-type: none"> <li>- procurement of local audit contracts</li> <li>- producing annual reports summarising the state of local audit</li> <li>- management of local audit contracts</li> <li>- monitoring and review of local audit performance</li> <li>- determining the code of local audit practice</li> <li>- regulating the local audit sector</li> </ul>	<p><b>We are considering these recommendations further</b> and will make a full response by spring 2021.</p>
<p>2. The current roles and responsibilities relating to local audit discharged by the:</p> <ul style="list-style-type: none"> <li>- Public Sector Audit Appointments (PSAA)</li> <li>- Institute of Chartered Accountants in England and Wales (ICAEW)</li> <li>- FRC/ARGA</li> <li>- The Comptroller and Auditor General (C&amp;AG) to be transferred to the OLAR</li> </ul>	<p><b>We are considering these recommendations further</b> and will make a full response by spring 2021.</p>
<p>3. A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.</p>	<p><b>We are considering these recommendations further</b> and will make a full response by spring 2021.</p>
<p>7. That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.</p>	<p><b>We are considering these recommendations further</b> and will make a full response by spring 2021.</p>
<p>13. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.</p>	<p><b>We are considering these recommendations further</b> and will make a full response by spring 2021.</p>
<p>17. MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.</p>	<p><b>We are considering these recommendations further</b> and will make a full response by spring 2021.</p>



**Enhancing the functioning of local audit, and the governance for responding to its findings (recommendations 4, 9, 12, 18).**

<b>Recommendation</b>	<b>MHCLG response</b>
<p>4. The governance arrangements within local authorities be reviewed by local councils with the purpose of:</p> <ul style="list-style-type: none"><li>- an annual report being submitted to Full Council by the external auditor</li><li>- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee</li><li>- formalising the facility for the CEO, Monitoring Officer</li><li>- Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.</li></ul>	<p><b>Agree;</b> we will work with the LGA, NAO and CIPFA to deliver this recommendation</p>
<p>9. External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.</p>	<p><b>Agree;</b> we will work with the NAO and CIPFA to deliver this recommendation</p>
<p>12. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.</p>	<p><b>Agree;</b> we will work with the LGA, NAO and CIPFA and other key stakeholders to deliver this recommendation, including whether changes to statute are required</p>
<p>18. Key concerns relating to service and financial viability be shared between local auditors and inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's annual report.</p>	<p><b>Agree;</b> we will work with other departments and the NAO to deliver this recommendation</p>



**Improving transparency of local authorities' accounts to the public  
(recommendations 19, 20, 21, 22)**

<b>Recommendation</b>	<b>MHCLG response</b>
19. A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.	<b>Agree</b> ; we will look to CIPFA to develop a product through consultation with local government. We will work with CIPFA to deliver this recommendation
20. The standardised statement should be subject to external audit.	<b>Agree</b> ; we will work with CIPFA, the LGA and the NAO to deliver this recommendation
21. The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.	<b>Agree</b> ; we will work with the LGA and CIPFA to deliver this recommendation
22. CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.	<b>Agree</b> ; we will look to CIPFA to deliver this recommendation



**Action to further consider the functioning of local audit for smaller bodies (recommendations 14, 15, 16, 23)**


<b>Recommendation</b>	<b>MHCLG response</b>
14. SAAA considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations.	<b>Agree</b> ; we will look to SAAA to deliver this recommendation
15. SAAA and OLAR examine the current arrangements for increasing audit activities and fees if a body's turnover exceeds £6.5m.	<b>We are considering this recommendation further</b> and will make a full response by spring 2020
16. SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.	<b>Agree</b> ; we will look to SAAA to deliver this recommendation
23. JPAG be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:  - whether "Section 2 – the Accounting Statements" should be moved to the first page of the AGAR so that it is more prominent to readers - whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements - whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of the Accounting Statements.	







19 January 2021

<b>Report of</b>	<b>Assistant Director of Policy &amp; Corporate</b>	<b>Author</b>	<b>Hayley McGrath</b>
<b>Title</b>	<b>Mid-Year Internal Audit Assurance Report 2020/21</b>		 <b>508902</b>
<b>Wards affected</b>	Not applicable		

## 1.0 Executive Summary

1.1 The report set out in Appendix 1 summarises the performance of Internal Audit, and details the audits undertaken, between 1 April and 30 November 2020.

1.2 The key messages from the report are:

- Despite the impact of the pandemic the new Internal Audit contractor was able to successfully commence the service from 01 April and has ensured that an effective internal audit service was provided during the first half of the 2020/21 financial year.
- Seven out of the ten audits completed have achieved a substantial assurance rating (previously classed as 'full assurance').
- The remaining three audits all achieved reasonable assurance (previously known as 'substantial').
- There were no audits completed that resulted in a limited or no assurance rating.
- Twelve priority 2 and thirteen priority 3 recommendations have been made. All recommendations have been accepted by management.

## 2.0 Recommended Decision

2.1 To review and comment on:

- Internal audit activity for the period 1 April – 30 November 2020.

## 3.0 Reason for Recommended Decision

3.1. 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'. Internal audit is a key element of the Council's corporate governance framework. Robust 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 None.



## 5.0 Background Information

- 5.1 The Council changed internal audit supplier in April 2020, to TIAA, and they have provided a mid-year report in a new format, attached at appendix 1. This details the audits that have been carried out and a summary of work completed against the plan for the year. The report also includes a section highlighting current key issues in the general auditing environment for information.
- 5.2 Whilst there is no formal recommendation to review the format of the attached report, it is in a different style to previous reports and therefore the committee might like to consider if there is any other information, or changes, that you would like to see included in future reports.
- 5.3 Whilst the majority of terminology is the same as used by the previous auditors there are some differences to the definition of the assurance levels and recommendations. These are set out in the tables below:

Assurance Level			
TIAA Definition		Previous Definition	
Substantial	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.	Full	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Reasonable	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.	Substantial	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
Limited	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.	Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
No	There is a fundamental breakdown or absence of core internal controls requiring immediate action.	No	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.



Recommendation Priority Gradings			
TIAA Definition		Previous Definition	
1	Urgent. Fundamental control issue on which action should be taken immediately.	1	Major issue for the attention of senior management and the Governance and Audit Committee.
2	Important. Control issue on which action should be taken at the earliest opportunity.	2	Important issues to be addressed by management in their areas of responsibility
3	Routine. Control issue on which action should be taken.	3	Minor issues resolved on site with local management.
OEM	Operational Effectiveness Matter. Items that would be best practise / improvements but do not impact on the effectiveness of the controls.		Not previously highlighted in the audit process.

- 5.4 The main difference is that the Full Assurance rating is now called Substantial and the previous Substantial rating is now Reasonable.

## 6.0 Strategic Plan Implications

- 6.1 The audit plan has been set with due regard to the identified key strategic risks to the Council and the objectives of the strategic plan to be vibrant, prosperous, thriving and welcoming. Therefore, the audit work ensures the effectiveness of the processes required to achieve the strategic objectives.

## 7.0 Risk Management Implications

- 7.1 The failure to implement recommendations may have an effect on the ability of the Council to control its risks and therefore the recommendations that are still outstanding should be incorporated into the risk management process.

## 8.0 Environmental and Sustainability Implications

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

## 9.0 Other Standard References

- 9.1 There are no direct Publicity, Financial, Consultation, Equality, Diversity, Human Rights, Community Safety or Health and Safety implications as a result of this report.







## Colchester Borough Council

### Summary Internal Controls Assurance (SICA) Mid-Year Report

2020/21

December 2020



## Summary Internal Controls Assurance

### Introduction

1. This summary controls assurance mid-year report provides the Governance & Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Colchester Borough Council as at 30 November 2020. The period covered by this summary controls assurance report was significantly impacted by the COVID 19 pandemic, with quarter one audits moving to later quarters. Whilst the mid-year report would normally cover the period to 30 September, due to the pandemic and audit coverage primarily over the last three quarters of the year, it was felt relevant to extend the mid-year period to 30 November 2020.

### Internal Audit Planned Coverage, Output and Key Messages

2. The 2020/21 Annual Audit Plan approved by the committee was for 300 days of internal audit coverage in the year. Good progress has been made, with a total of 144 days having been delivered as at 30 November 2020. Our progress against the Annual Plan for 2020/21 is set out in Appendix A.
3. The plan consists of a mix of assurance and appraisal reviews, with reports being generated for all audits carried out. This report outlines a summary of the audits as set out in Appendix B.
4. Progress is being made to implement and verify outstanding recommendations, as the year progresses this will require further management input.

### Audits completed between 1 April and 30 November 2020

5. TIAA completed 10 audits in the period to 30 November 2020. The audits were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve Colchester Borough Council's objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key risks was provided.

#### Summary of audits completed in the period

Assurance Assessments	Number of Reviews
Substantial Assurance	7
Reasonable Assurance	3
Limited Assurance	0
No Assurance	0

#### Summary of recommendations raised in the period

Urgent	Important	Routine	OEM
0	12	13	4

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.



6. The table below sets out details of audits completed.

*Audits completed*

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
CBC2102 Business Support Grants – Part 1	Substantial	27/08/2020	01/09/2020	04/09/2020	0	0	0	0
CBC2103 COVID-19 Deep Dive	Substantial	03/08/2020	01/09/2020	04/09/2020	0	0	2	0
CBC2104 Housing	Substantial	24/09/2020	29/09/2020	08/10/2020	0	1	0	0
CBC2106 Corporate Health & Safety	Reasonable	02/10/2020	10/11/2020	12/11/2020	0	4	1	2
CBC2107 Contract Management	Reasonable	05/11/2020	23/11/2020	25/11/2020	0	2	5	1
CBC2109 Budget Monitoring and Reporting	Substantial	01/10/2020	06/10/2020	08/10/2020	0	0	1	1
CBC2111 CTAX and NNDR	Substantial	11/11/2020	-	-	0	0	1	0
CBC2112 Housing Benefit and CTS	Substantial	29/10/2020	30/10/2020	02/11/2020	0	0	1	0
CBC2113 Performance Management	Substantial	20/11/2020	20/11/2020	24/11/2020	0	0	1	0
CBC2131 Risk Management	Reasonable	12/11/2020	-	-	0	5	1	0

7. The Executive Summaries for each of the finalised reviews are included at Appendix B. The action plans for limited and no assurance reports are included with the summaries.
8. **COVID 19:** The progress against the planned work for the quarter has been disrupted by the COVID pandemic. In mid-March, when the potential scale and impact of COVID 19 was becoming evident it was agreed with Colchester Borough Council that the delivery of the internal audit service would be carried out remotely thereby minimising the need to physically access Colchester Borough Council's offices/premises and to hold face to face meetings.

**Frauds/Irregularities**

9. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.



## Performance and Quality Measures

10. The following performance targets were used to measure the performance of internal audit in delivering the audit.

Performance Measure	Target	Attained
Completion of Planned Audits	100%	100%
Audits Completed in Time Allocation	100%	100%
Final report issued within 10 working days of receipt of responses	95%	100%
Compliance with Public Sector Internal Audit Standards	100%	100%

## Other Matters

11. We have issued a number of briefing notes and fraud digests, shown in Appendix C, in the period.
12. We have reviewed recent guidance issued by the Internal Audit Standards Advisory Board (IASAB) in relation to internal auditing during the COVID-19 pandemic. The guidance aims to support heads of internal audit and individual internal auditors in continuing to meet their personal and professional responsibilities for conforming the UK Public Sector Internal Audit Standards (PSIAS). We can confirm continued conformance with the professional standards during this period.

## Responsibility/Disclaimer

13. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

## Release of Report

14. The table below sets out the history of this Mid-Year Report.

Date Report issued:	7 December 2020
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## Progress against Annual Plan

System	Planned Quarter	Days	Current Status	Assurance Level
CBC2102 Business Support Grants – Part 1	2	8	Final Report issued	Substantial
CBC2103 COVID-19 Deep Dive	2	12	Final Report issued	Substantial
CBC2104 Housing	2	7	Final Report issued	Substantial
CBC2106 Corporate Health and Safety	2	10	Draft Report issued	Reasonable
CBC2107 Contract Management	2	10	Final Report issued	Reasonable
CBC2108 Licensing	2	12	Draft Report Prepared – Debrief 7/12/20	
CBC2109 Budget Monitoring and Reporting	2	12	Final Report issued	Substantial
CBC2111 CTAX and NNDR	2	14	Draft Report issued	Substantial
CBC2112 Housing Benefits and CTS	2	18	Final Report issued	Substantial
CBC2113 Performance Management	3	10	Final Report issued	Substantial
CBC2131 Risk Management	3	5	Draft Report issued	Reasonable
CBC2114 Planning and Development	3	12	In progress	
CBC2115 Key Financial Controls	3	10	Scheduled	
CBC2128 Management of Property	3	6	In progress	
CBC2110 Housing Rents	4	6	Scheduled	
CBC2116 HR and Payroll	4	14	Scheduled	



System	Planned Quarter	Days	Current Status	Assurance Level
CBC2117 Business Continuity	4	14	Scheduled	
CBC2118 Accounts Receivable and Cash Collection	4	12	Scheduled	
CBC2119 Site Cash ups	4	2	To be scheduled	
CBC2120 Single Data Sets	4	5	To be scheduled	
CBC2121 Museums	4	10	To be scheduled	
CBC2122 Parking Services	4	10	To be scheduled	
CBC2123 Leisure World	4	10	To be scheduled	
CBC2125 Business Support Grant Processes – Part 2	4	6	TBC	
CBC2126 CCHL / CBC Contract Management	4	8	To be scheduled	
CBC2127 CCH Allocated Days 15 less 12	4	3	TBC	
CBC2101 IT Network Resilience	4	12	To be scheduled	
CBC2105 IT Service Desk	4	10	To be scheduled	

**KEY:**






	To be commenced		Site work commenced		Draft report issued		Final report issued
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## Executive Summaries

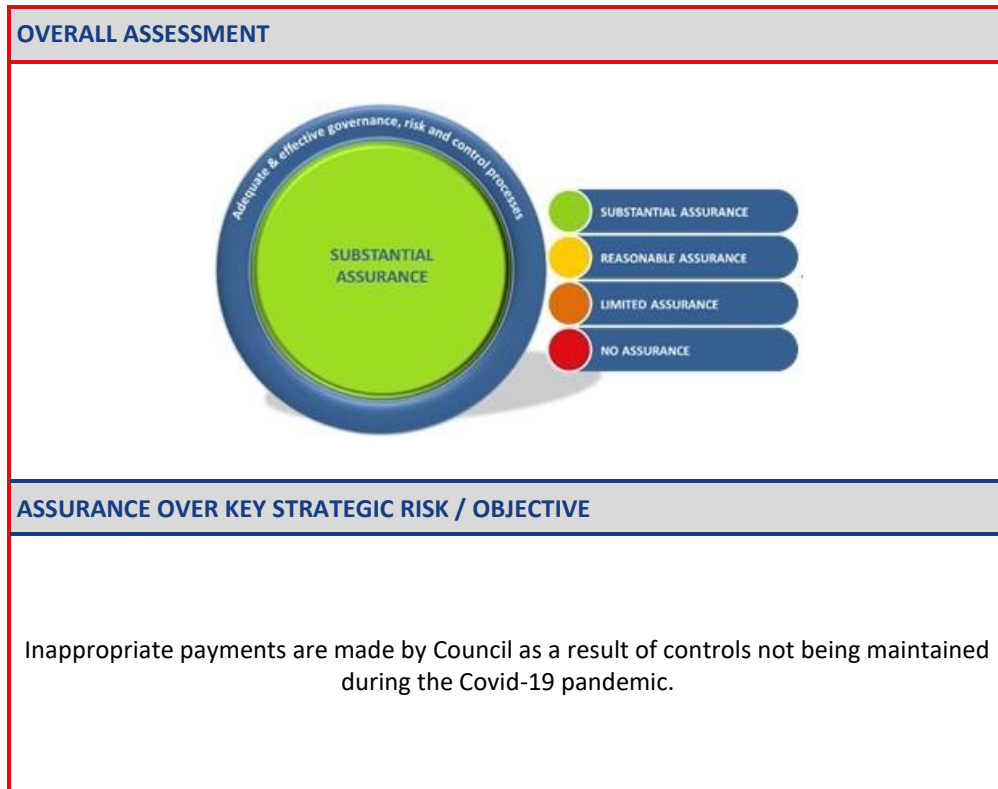
The following Executive Summaries and Management Action Plans are included in this Appendix. Full copies of the reports are available to the Governance & Audit Committee on request. Where a review has a 'Limited' or 'No' Assurance assessment the full report will be presented to the Governance & Audit Committee.

### Executive Summary – Business Support Grants – Part 1

OVERALL ASSESSMENT		KEY STRATEGIC FINDINGS									
<div><div><div>Adequate &amp; effective governance, risk and control processes</div><div>SUBSTANTIAL ASSURANCE</div></div><div><div>SUBSTANTIAL ASSURANCE</div><div>REASONABLE ASSURANCE</div><div>LIMITED ASSURANCE</div><div>NO ASSURANCE</div></div></div>		<div><div> Administration of all three business grant schemes by the Council was subject to approval at Portfolio Holder level.</div><div> Data extraction / validation checks have been applied for eligible businesses.</div><div> BACS payments had been paid promptly and for the correct amounts.</div><div> Grant spend is monitored against funding received from the Government.</div></div>									
ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE		GOOD PRACTICE IDENTIFIED									
Incorrect payment of business grants due to incorrect or inconsistent application of grant conditions.		<div><div> Government guidance on administering all three business grant schemes had been obtained and consistently applied.</div></div>									
SCOPE		ACTION POINTS									
The aim of the audit was to review the Council’s administration of the Government’s business support grant schemes to ensure they have been paid to eligible businesses, paid promptly and for the correct amounts.		<table><tr><th>Urgent</th><th>Important</th><th>Routine</th><th>Operational</th></tr><tr><td>0</td><td>0</td><td>0</td><td>0</td></tr></table>		Urgent	Important	Routine	Operational	0	0	0	0
Urgent	Important	Routine	Operational								
0	0	0	0								



## Executive Summary – COVID-19 Deep Dive



**SCOPE**

This review was a proactive review to identify payments made which may not have been made in accordance with Financial Regulations and/or provide Value For Money for the organisation.

**KEY STRATEGIC FINDINGS**

	Weekly checks of new suppliers and amendments to suppliers have not been completed and recorded on a consistent basis during the period April to June 2020.
	Instances were identified of overtime claims being submitted and approved for multiple periods in one claim, instead of being recorded against the day actually worked.

**GOOD PRACTICE IDENTIFIED**








	The Council has enabled the majority of staff to work remotely from home, without significant changes to payment or payroll processes or reductions in controls.
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**ACTION POINTS**

Urgent	Important	Routine	Operational
0	0	2	0




## Executive Summary – Housing






OVERALL ASSESSMENT		KEY STRATEGIC FINDINGS											
		<div><div></div><div>The Allocations policy for Gateway to Homechoice choice based lettings scheme is in place and include detailed processes on allocating housing.</div></div> <div><div></div><div>The registration, bidding and offer processes are detailed on the Gateway to Homechoice website available to members of the public.</div></div> <div><div></div><div>Testing of housing register applications, verification, banding, bidding and allocation processes found no exceptions.</div></div> <div><div></div><div>The Gateway to Homechoice Financial Assessment, Verification and Referencing, and Renewal procedures were out of dates.</div></div>											
ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE		GOOD PRACTICE IDENTIFIED											
Not Applicable		<div><div></div><div>A monthly summary is maintained by the Homechoice Manager to keep track of the teams’ progress in relation to applications and verifications processing time.</div></div> <div><div></div><div>Colchester Borough Council and other Partner Organisations carry out an annual renewal process to ensure applications are accurate and up-to-date.</div></div>											
SCOPE		ACTION POINTS											
The review considered the joint arrangements between Colchester Borough Council (CBC) and Colchester Borough Homes (CBH) for the management and oversight of the Housing Register. The review also assessed the policies and procedure on housing register, housing register applications and verification processes, renewal, acceptance and rejection of applications, bidding, and shortlisting of applicants.		<table><tr><th>Urgent</th><th>Important</th><th>Routine</th><th>Operational</th></tr><tr><td>0</td><td>1</td><td>0</td><td>0</td></tr></table>				Urgent	Important	Routine	Operational	0	1	0	0
Urgent	Important	Routine	Operational										
0	1	0	0										



## Executive Summary – Corporate Health & Safety

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE
Not Applicable








SCOPE
<p>The objective of the audit was to review the systems and controls in place within Corporate Health and Safety in the Council, to help confirm that these are operating adequately, effectively and efficiently. The review assessed roles and responsibilities of the Health and Safety committee and Corporate Health and Safety Officer, written guidance on health and safety, health and safety management system, programme of regular inspections for all Council offices, and reporting of health and safety incidences.</p>

KEY STRATEGIC FINDINGS
 <p>Induction training was not conducted for new starters that joined the Council in March, April and May 2020.</p>
 <p>Site inspections were not completed in the first two quarters of 2020 due to the Covid-19 pandemic.</p>
 <p>Action plans from health and safety premises inspections were not always included in the Health and Safety Action Plan schedule and followed-up.</p>
 <p>Sample testing found that reported incidents were not always investigated by the designated managers.</p>
GOOD PRACTICE IDENTIFIED
 <p>The Health and Safety Committee actively supports the Council's governance of health, safety and welfare.</p>

ACTION POINTS			
Urgent	Important	Routine	Operational
0	4	1	2









## Executive Summary – Contract Management

OVERALL ASSESSMENT		KEY STRATEGIC FINDINGS									
		<div><div></div><div>The Council does not have a Contract Exemption and Waiver register which include contracts exempted from the Contract procurement rules.</div></div> <div><div></div><div>The Contract Register includes 357 active and inactive contracts that ended between 2015 and April 2020.</div></div> <div><div></div><div>Contracts are managed by Contract Managers and information on contract completion is not always communicated with the Procurement team who manage the contract register.</div></div> <div><div></div><div>The Procurement Strategy covers the period 2015 – 2017 and is due for renewal.</div></div>									
ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE		GOOD PRACTICE IDENTIFIED									
N/A		<div><div></div><div>Sample testing of procurement of nine contracts confirmed that the Contract Procedure rules were fully complied with for eight of the nine contracts tested.</div></div> <div><div></div><div>A review of contract management processes for a sample of three Contracts confirmed that adequate contract management and monitoring processes were in operation for the sample tested.</div></div>									
SCOPE		ACTION POINTS									
The audit aimed to review the systems and processes in place for procuring, managing and monitoring contracts.		<table><tr><th>Urgent</th><th>Important</th><th>Routine</th><th>Operational</th></tr><tr><td>0</td><td>2</td><td>5</td><td>1</td></tr></table>		Urgent	Important	Routine	Operational	0	2	5	1
Urgent	Important	Routine	Operational								
0	2	5	1								










## Executive Summary – Budget Monitoring

OVERALL ASSESSMENT	KEY STRATEGIC FINDINGS								
<div><div><div>Adequate &amp; effective governance, risk and control processes</div><div>SUBSTANTIAL ASSURANCE</div></div><div><div>SUBSTANTIAL ASSURANCE</div><div>REASONABLE ASSURANCE</div><div>LIMITED ASSURANCE</div><div>NO ASSURANCE</div></div></div>	<div><div><div></div><div>The annual budgeted income for 2020/2021 is £17.96m however, due to the effects of COVID 19, income is now forecast as £9.763m.</div></div><div><div></div><div>Actions to address the income shortfall has been discussed and communicated with the Cabinet and Senior management and will be funded with Government support and use of reserves.</div></div><div><div></div><div>The Council's original Budget was agreed by the Cabinet in January 2020 and the Full Council approved the Budget in February 2020 and reforecast budget was approved by the Cabinet in June 2020.</div></div><div><div></div><div>Reports on effects of COVID 19 and on budget and income forecast were presented to the Cabinet members, Councillors and Senior Management Team.</div></div></div>								
ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE	GOOD PRACTICE IDENTIFIED								
<div>Risk PR1 on Inability to deliver the budget strategy as planned is included in the Risk Register and mitigated.</div>	<div><div><div></div><div>The Budget Group meets twice a month to review and monitor the budget</div></div><div><div></div><div>Testing of a sample of 20 virements found that the virements request forms were raised and independently approved in line with the Scheme of Delegation</div></div></div>								
SCOPE	ACTION POINTS								
<div>The review confirmed if the Council's budget management and monitoring processes are effective and that financial performance is regularly tracked, variances explained and reported to senior management and Members.</div>	<table><tr><th>Urgent</th><th>Important</th><th>Routine</th><th>Operational</th></tr><tr><td>0</td><td>0</td><td>1</td><td>3</td></tr></table>	Urgent	Important	Routine	Operational	0	0	1	3
Urgent	Important	Routine	Operational						
0	0	1	3						



## Executive Summary – CTAX and NNDR

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE
<p>ST4 Impact of COVID 19 pandemic - Ongoing impacts of the COVID-19 pandemic on the council, the communities, our customers and the economy.</p>
SCOPE
<p>The review assessed the effectiveness of the systems in place to ensure timely identification, collection and receipting of tax income (Council Tax and NNDR).</p>

KEY STRATEGIC FINDINGS				
	Sample testing confirmed that processes and controls are in place for collecting, recording, reconciling, reporting Business rates and Council Tax and segregation of duties was evidenced.			
	Relevant information on payment of Business rates and Council Tax are available on the Council's website.			
	Quality assessment (QA) checks are carried out by the Business Rates Team Leader (for NNDR) and Council Tax Team Leader (For Council Tax) on processes carried out by the customer team staff members.			
	The Council Tax and NNDR parameters were entered to the system prior to the start of the financial year and independently checked for correctness.			
GOOD PRACTICE IDENTIFIED				
	There are written procedures in place to provide guidance on Council Tax and NNDR processes and these are available to the staff members.			
	Monthly dashboards and service reports including Key Performance Indicators on Business rates and Council Tax are produced and reported to relevant staff and the Executive Team.			
ACTION POINTS				
Urgent	Important	Routine	Operational	
0	0	1	0	



## Executive Summary – Housing Benefit and CTS

### OVERALL ASSESSMENT



### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Risk CO3 - Impact of the implementation of Universal Credit in Colchester could lead to additional work for CBC to help customers apply for the new single benefit. The future impacts of Covid-19 are likely to increase the number of vulnerable residents and claimants.

### SCOPE

The audit reviewed the adequacy, effectiveness and efficiency of the systems and controls in place over Housing Benefit and LCTS.

### KEY STRATEGIC FINDINGS



Sample testing of Benefits and LCTS claims assessment, payments over the threshold, reconciliations and Universal credit applications confirmed that effective controls and processes are in place.



Guide to Universal Credit and Council Tax rebates and Guide to Housing Benefits is available to Benefits Caseworkers and regular training is provided to the Benefits Caseworkers.



Impact of COVID 19 on Benefits and LCTS claims are properly documented and communicated across the Council.



The Council reported an average processing time of 9 days for new claims and 1 day for change of circumstances between January and March 2020.

### GOOD PRACTICE IDENTIFIED



Sample testing of 25 new claims and changes in circumstances confirmed that assessments were done on a timely basis and Quality Assurance (QA) checks are regularly carried out.



Performance to date against two key KPIs: Time to process Housing Benefits new claims and changes and Time to process LCTS new claims and changes are below target.

### ACTION POINTS

Urgent	Important	Routine	Operational
0	0	1	0



## Executive Summary – Performance Management

### OVERALL ASSESSMENT



### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Risk SP5 on Staff Wellbeing relates to performance management. The risk notes that 'Staff wellbeing or motivation declines with an impact on service delivery and resilience'.

Risk SP4 on Compliance also relates to performance management and notes that 'Failure to protect public funds and resources – ineffective probity / monitoring systems/legislative breaches. Especially as a result of the rapid changes in service delivery required to respond to the impacts of Covid-19'.

### SCOPE

The review established how performance is being monitored, managed, reported and confirmed if performance measures have been realigned (due to COVID).

### KEY STRATEGIC FINDINGS



The Council has a Strategic Plan in place covering the period 2020 – 2023, which sets out how the Council will address the key challenges facing the borough through 5 strategic priority themes.



There is a Performance and Improvement Framework in place that includes a number of indicators which summarise overall performance in the Council.



The Council does not have individual service plans but the strategic plan includes performance indicators for all the key services in the Council.



There is a detailed appraisal guidance document in place, however the document is dated 2014 and is due for a review.

### GOOD PRACTICE IDENTIFIED



**SMART key performance indicators have been defined and are monitored and reported on a periodic basis.**



**Regular performance reporting is carried out to Senior Management Team, Performance Management Board, Leadership team, Scrutiny Panel and Cabinet. The reporting timetable is in place and available on the intranet.**

### ACTION POINTS

Urgent	Important	Routine	Operational
0	0	1	0



## Executive Summary – Risk Management

### OVERALL ASSESSMENT



### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Responsibility for risk management is clearly defined.

### SCOPE

The objective of the audit was to review the systems and controls in place for Risk Management.

### KEY STRATEGIC FINDINGS



The council have not defined their risk appetite and have not undertaken a risk maturity assessment.



A review of the risk registers need to be undertaken so that risks are smart, measureable mitigations are in place, it is clear what the current risk score for each risk is and the number of risks are manageable



Operational risk registers are the responsibility of Assistant Director to maintain. Not all services are maintaining their operational risk registers, a review of the format of the operational risk register is being undertake this will hopefully improve engagement.

### GOOD PRACTICE IDENTIFIED



Responsibility for risk management is clearly defined, the Strategic Risk Register is subject to regular review. The Council's Management Strategy is subject to annual review and an annual risk management report is prepared.

### ACTION POINTS






Urgent	Important	Routine	Operational
0	5	1	0





## Briefings on developments in Governance, Risk and Control

TIAA produces regular briefing notes to summarise new developments in Governance, Risk, Control and Counter Fraud which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those CBNs and Fraud Alerts issued in the last three months which may be of relevance to Colchester Borough Council is given below. Copies of any CBNs are available on request from your local TIAA team.


### Summary of recent Client Briefing Notes (CBNs)

CBN Ref	Subject	Status	TIAA Comments
CBN - 20004	Tips for Virtual Meetings and Video Conferencing during the COVID-19 Pandemic		<b>No Action Required</b> This briefing note has been provided for information only.
CBN - 20005	Housing Regulator Stresses the Importance of Effective Cyber Security Arrangements		<b>Action Required</b> Housing associations should continually obtain assurance that they have adequate controls in place to mitigate against the threat of cybercrime, particularly during current times when there is a heightened risk of fraud and changes in the way that people are working. This should include the areas of staff behaviours and awareness.
CBN – 20021	Risk of Redacted Information being Unredacted		<b>Action Required</b> Organisations should ensure they have provided clear instructions to staff on how to safely and securely redact information, such that the redaction cannot subsequently be removed. Consideration should be given to obtaining an accredited third-party redaction tool for Microsoft Word and Excel.
CBN - 20006	Cyber Threats using the COVID-19 Pandemic		<b>Action Required</b> Audit Committees and Boards/Governing Bodies are advised to seek assurance from digital / IT teams that a comprehensive programme of protection measures are in place to protect technology, and to raise user awareness.
CBN – 20023	Need for a Social Media and Electronic Communications Policy		<b>Action Required Not Urgent</b> Audit Committees and Boards are advised to review their policies, including those relating to GDPR, communications, marketing, disciplinary, code of conduct, and to ensure that they are in line with the recommendations contained within the articles. Consideration should also be given to having a separate Social Media and Electronic Communication Policy.




CBN Ref	Subject	Status	TIAA Comments
CBN -20025	Risks Associated with Cloud Computing		<b>Action Required</b> Audit Committees and Boards/Governing Bodies are advised to seek assurance from their Data Protection Officer and IT on the status of where data is stored and what risk mitigation measures have been employed. Where no due diligence has been performed prior to cloud service use, retrospective assurance should be sought.
CBN -20029	Data Protection Guidance for Collecting Customer Information		<b>Urgent Action Required</b> Organisations should ensure they have appropriate policies and procedures in place to meet their obligations for contact tracing and the protection of customer and visitor details.

### Summary of recent Fraud Alerts

Ref	Subject	Status	TIAA Comments
0000	False Invoice Fraud – Increased Exposure		<b>No Action Required</b> This alert provides information and advice to staff about fraud and economic crime that may occur during the COVID-19 emergency, and the risks associated with it. If you or your organisation has fallen victim to fraud you should report it to your Local Counter Fraud Specialist or to the NHS CFA on 0800 028 4060
0000	Mandate Fraud – Increased Exposure		<b>Action Required</b> This alert provides information and advice to staff about fraud and economic crime that may occur during the COVID-19 emergency, and the risks associated with it. If you or your organisation has fallen victim to fraud you should report it to your Local Counter Fraud Specialist or to the NHS CFA on 0800 028 406
0000	Payroll Mandate Fraud – Increased Exposure		<b>Action Required</b> This alert provides information and advice to staff about fraud and economic crime that may occur during the COVID-19 emergency, and the risks associated with it. If you or your organisation has fallen victim to fraud you should report it to your Local Counter Fraud Specialist or to the NHS CFA on 0800 028 4060.



Ref	Subject	Status	TIAA Comments
0000	COVID-19 Related Scams		<b>Action Required</b> This alert provides information and advice to staff about fraud and economic crime that may occur during the COVID-19 emergency, and the risks associated with it. If you have been scammed, report it to Action Fraud: <a href="http://www.actionfraud.police.uk">www.actionfraud.police.uk</a> or 0300 123 2040. Also, contact your bank if you have lost money. Action Fraud also provide advice on how to shop safely online: <a href="https://www.actionfraud.police.uk/shoponlinesafely">https://www.actionfraud. police.uk/shoponlinesafely</a> The NCSC provide advice on how to protect your devices from the latest threats: <a href="https://www.ncsc.gov.uk/guidance/securing-your-devices">https://www.ncsc.gov.uk/ guidance/securing-your-devices</a>







19 January 2021

<b>Report of</b>	<b>Assistant Director of Policy &amp; Corporate</b>	<b>Author</b>	<b>Hayley McGrath</b>
<b>Title</b>	<b>Interim Review of the Annual Governance Statement Action Plan.</b>		
<b>Wards affected</b>	Not applicable		

## 1. Executive Summary

- 1.1 This report reviews the implementation of the actions highlighted on the 2019/20 Annual Governance Statement (AGS), which was reported to the Governance and Audit Committee in June 2020. The report included an action plan for issues to be resolved during the current financial year (2020/21).
- 1.2 The annual governance review should be an ongoing process; therefore, it is essential to ensure that issues identified in the AGS are monitored. Accordingly, these issues have been discussed with the relevant lead officers, and the action plan has been updated with the progress made. The updated action plan is included at appendix A.
- 1.3 The key messages are that there has been progress against all of the issues identified in the action plan, and the external audit of the final accounts for 2019/20 did not raise any concerns with the Annual Governance Statement or the action plan.

## 2. Recommended Decision

- 2.1 Consider and comment on the work undertaken to implement the current Annual Governance Statement action plan.

## 3. Reason for Recommended Decision

- 3.1 Part 2 (3 & 6) of the Accounts and Audit Regulations 2015 requires the Council to ensure that it operates a sound system of internal control and to conduct an annual review of the effectiveness of its governance and internal control arrangements. The findings from this review, the Annual Governance Statement, must be reported to and approved by committee before being signed by the Leader of the Council and the Chief Executive, and then published for public inspection.
- 3.2 The regulations require the statement to be accompanied by an action plan for improving any issues identified. The CIPFA/SOLACE 'Good Governance' guidance highlights that the annual governance review should be a robust ongoing assessment, not just an annual year end exercise. Therefore, it is essential to ensure that governance issues are considered during the year, and it was agreed that an interim report regarding progress against the action plan would be provided to this committee.

## 4. Alternative Options

- 4.1 There are no alternative options to consider.



## **5. Equality, Diversity and Human Rights implications**

- 5.1 There are no equality, diversity or Human Rights implications as a result of this report.

## **6. Strategic Plan References**

- 6.1 The achievement of the strategic plan requires a sound system of governance to ensure the effective delivery of services. Therefore, improving on existing governance arrangements will help to ensure that the strategic plan objectives can be achieved.

## **7. Risk Management Implications**

- 7.1 Risk Management is a fundamental part of the Governance process and a failure to implement the action plan may have an effect on the ability of the Council to control its risks.

## **8. Environmental and Sustainability Implications**

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

## **9.1 Other Standard References**

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

## **10. Appendices**

- 10.1 Appendix A – Annual Governance Statement Action Plan for 2020/21, updated Dec 20.



**Colchester Borough Council**  
**Annual Governance Statement – Action Plan for 2020/21**  
**Interim Review December 2020**

**Significant Internal Control Issues – Relating to 2019/20 Financial Year**

No.	Issue	Action	Due Date	Responsible Officer	Position Update
1	<p><b><u>Procurement / Purchasing</u></b></p> <p>The internal audit of the procurement process identified several areas for improvement.</p>	<p>It was recommended that a strategic review of the procurement process is undertaken that includes risks and opportunities for collaborative working and joint procurement, assessing training needs, benchmarking with other authorities and ensuring the strategy complies with LGA National Procurement Strategy 2018.</p> <p>Management should ensure that cumulative expenditure is reviewed regularly and that the contracts register is updated across the organisation. The procurement SharePoint site should be developed to ensure that it captures all documentation relating to procurement, including evidence of quotation decisions.</p>	31 October 2020	Assistant Director of Corporate & Improvement Services	<p>Following the award of a grant from the LGA Productivity Experts scheme, an independent report has been received which provides a strategic review of the Council's procurement processes.</p> <p>A procurement board has been set up to steer the implementation of the actions outlined in the audit and independent report. It will look for collaborative opportunities, drive efficiencies in upcoming procurements and develop training and understanding.</p> <p>The Council's procurement strategy is being reviewed to include the requirements in relation to social value and environmental impacts.</p> <p>The SharePoint site is under development, this will capture all of the procurement records.</p>



No.	Issue	Action	Due Date	Responsible Officer	Position Update
2	<p><b><u>IT- Social Media</u></b></p> <p>The increasing use of social media to promote Council business creates additional opportunities for information and data to become corrupted or inappropriately accessed. The Internal Audit of Social Media identified several areas where controls needed strengthening to increase data security.</p>	Recommendations included strengthening of password controls, completion of a business needs assessment for new social media platforms, use of external monitoring tools to ensure appropriate use of accounts, inclusion of social media in the Information Security Policy and regular training of officers responsible for the social media accounts.	31 October 2020	Assistant Director of Corporate & Improvement Services	All of the recommendations were accepted, and have been actioned. Internal Audit have been asked to confirm completion as part of the follow-up arrangements.
3.	<p><b><u>Payment Controls</u></b></p> <p>During the course of the Internal Audit review of the payment system, control improvements were identified to strengthen the security of the process.</p>	Recommendations included reviewing how payment files could be amended after authorisation, ensuring officers only had one level of authorisation, strengthening password controls and ensuring two officer authorisations to process payment runs.	30 June 2020	Assistant Director Customers	All of the recommendations were accepted, and have been actioned. Internal Audit have been asked to confirm completion as part of the follow-up arrangements.



19 January 2021

<b>Report of</b>	<b>Assistant Director of Corporate &amp; Improvement Services</b>	<b>Author</b>	<b>Hayley McGrath</b> ☎ 508902
<b>Title</b>	<b>Risk Management Progress Report</b>		
<b>Wards affected</b>	Not applicable		

## 1. Executive Summary

- 1.1 Effective management of risk is essential to ensuring that the Council's aims and objectives are achieved. This report provides members with an overview of the Council's risk management activity during the period from 01 April to 30 September 2020.
- 1.2 The Council has a comprehensive risk management process that is embedded across the organisation. This includes a strategic risk register, which is the responsibility of the senior management team, operational risk registers which are produced by each service and specific risk mitigation initiatives.
- 1.3 The key strategic risks are:
  - The ongoing, and recovery, impacts of the COVID-19 pandemic.
  - Council funding for 2022/23.
  - The potential failure to protect public funds and resources.
  - Potential increase in vulnerable customers and claimants.

## 2. Recommended Decision

- 2.1 Consider and comment on the Council's progress and performance in managing risk during the period from April to September 2020.
- 2.2 Consider and comment on the current strategic risk register.

## 3. Reason for Recommended Decision

- 3.1 The Risk Management Strategy, which forms part of the policy framework, identifies the Governance and Audit Committee as being responsible for reviewing the effectiveness of the risk management process and reporting critical items to cabinet as necessary.
- 3.2 Six monthly progress reports, detailing work undertaken and current issues, are provided to assist with this responsibility.

## 4. Alternative Options

- 4.1 There are no alternative options to consider.



## **5. Background Information**

- 5.1 The aim of the Council is to adopt best practice in the identification, evaluation, cost-effective control and monitoring of risks across all processes, to ensure that risks are properly considered and reduced as far as practicable.
- 5.2 In broad terms risks are split into three categories:
- Strategic – those risks relating to the long-term goals of the Council
  - Operational – risks related to the day-to-day operation of services
  - Project – the delivery risks of specific initiatives.
- 5.3 Identified risks, in all three categories, are judged against levels of probability and impact to give them an overall score. This allows the risks to be shown as 'high, medium or low' which enables a prioritised action plan to be set for managing risks. A high score does not mean that a risk has, or will definitely, occur.
- 5.4 In many cases the causes of risks are outside of the Council's control, such as general economic issues. The Council cannot stop these risks from occurring (the probability score) but can put plans in place to mitigate against their effect if they occur (the impact score). Likewise, there are occasions that risks can be reduced with preventative actions but there is not much that can be done to mitigate their effect if they do occur, such as a failure to protect public resources. Therefore, some risks will tend to maintain the same score, regardless of the controls that the Council puts in place.

## **6. Work undertaken during the period**

- 6.1 A significant amount of the physical risk management activity during the period has been in relation to the Covid-19 pandemic. The key functions of business continuity, emergency planning and health and safety form part of the risk management framework, and risk assessments and advice have been provided in relation to both strategic forward planning and operational activities such as safe working environments.
- 6.2 Following on from the revised format of the strategic risk register, further work has been undertaken to strengthen the risk management processes. An internal audit has been carried out of the function, which provided reasonable assurance of the current arrangements. Some areas of additional work were identified, including a review of the Council's risk appetite and assessment of the maturity level of the function.
- 6.3 Support continues to be provided, reviewing the risk elements of event plans, to both the Colchester and the Community Stadium Safety Advisory Groups.
- 6.4 Following on from the last report to this panel in July 2020, the revised risk management strategy has been agreed by Cabinet and full Council, without amendment, and the policy framework has been updated accordingly.

## **7 Strategic Risk Register**

- 7.1 The current strategic risk register is attached at appendix A with the score matrix attached at appendix B. The register was reviewed by senior management in December 2020.

## **8. Equality, Diversity and Human Rights implications**

- 8.1 There are no equality, diversity or Human Rights implications as a result of this report.



## **9. Strategic Plan References**

- 9.1 The strategic risk register reflects the objectives of the strategic plan and the actions have been set with due regard to the identified key strategic risks. Therefore, the risk process supports the achievement of the strategic objectives.

## **10. Risk Management Implications**

- 10.1 The failure to adequately identify and manage risks may have an effect on the ability of the Council to achieve its objectives and operate effectively.

## **11. Environmental and Sustainability Implications**

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

## **12. Other Standard References**

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

## **Appendices**

Appendix A – The strategic risk register

Appendix B – Strategic risk register score matrix







**Colchester Borough Council Strategic Risk Register**  
**JANUARY 2021**

				Initial Score							Residual Score		
Ref	Risk Title	Description	Strategic / Recovery Strand	P	I	O	RATING	Consequences	Mitigation	Lead	P	I	O
ST4	Covid-19 Pandemic	Ongoing, and recovery, impacts of the COVID-19 pandemic on the council, the communities, our customers and the economy.	Strategic	5	4	20	Very High	The ongoing and future impacts of the COVID-19 pandemic including service and staff resilience and shortages, additional service pressures, short term changes in policy and alert status disrupting delivery of strategic priorities, impacts on service delivery with additional cost pressures and potentially reduced income levels alongside additional work to support recovery.	Implementation of the Covid-19 recovery programme, monitored and shared with staff, members and partners. This covers Council, Community, Customer and Economic response and recovery and the actions/resources required to enable the Council to respond to them. Delivery of the revised Strategic Plan which incorporate recovery objectives and additional burdens (e.g. outbreak controls). Specific recovery actions, including Reopening of the High Street, being monitored through the project management process. Maximise the use of available government support including income loss grant	Chief Operating Officer	5	3	15
ST2	Spending Power	Following two single-year spending reviews in 2021 the Government is committed to a Comprehensive Spending Review in 2021. This will impact on Council funding for 2022/23.	Strategic	4	4	16	Very High	Changes could be favourable or adverse for the Council's funding. If adverse, the Council could lose the opportunity to develop further or may have enforced changes to service delivery. Adverse impact on local residents / resources. Missed opportunities to boost local economy. Conflict between Council / Government agendas. Reduction in levels of service provision and potential withdrawal of services	Maintain a constant review of the budget situation, including the impact of decisions from central government. Identify additional actions and areas for increasing income as necessary. Reduce reliance on New Homes Bonus to support the base budget. Lobby Government for a fair, multi-year funding settlement.	Chief Operating Officer	4	3	12
SP4	Compliance	Failure to protect public funds and resources – ineffective probity / monitoring systems/legislative breaches. Especially as a result of the rapid changes in service delivery required to respond to the impacts of Covid-19	Service Provision	4	4	16	Very High	Service delivery failure. Financial and reputational loss by the Authority. Personal liability of Officers and Members. Legal actions against the Council. Loss of stakeholder confidence in the Borough. Inability to sustain costs. Failure to deliver balanced budget as planned. A need to use balances / reserves or to adapt financial plans to deal with impact of changes. Required to use Reserves & Resources to fund capital priorities. Severe impact on cash-flow leading to negative effect on performance targets.	Ensure the outcomes of the assurance systems that form the internal control environment, (including Internal Audit, Risk Management, Budget process, Corporate Governance and performance management) are appropriately reported so that issues and concerns are managed, and variances are spotted at an early stage. Horizon scanning upcoming legislative / policy changes	Chief Operating Officer	3	4	12
CO3	Universal Credit	Whilst Universal Credit has been implemented in Colchester, many customers need additional assistance to apply for the new single benefit, which is difficult for some of our more vulnerable customers. The future impacts of Covid-19 are likely to increase the number of vulnerable residents and claimants.	Community	3	4	12	High	The Council fails to support our most vulnerable residents leading to an increase in crisis intervention.	Regularly monitor the impact of the resources allocated to the welfare reform project, to ensure that customers are supported with signposting to appropriate providers/partners. AT THE CURRENT TIME, DUE TO THE UNKNOWN IMPACTS OF COVID-19, MITIGATION DOESN'T REDUCE THE SCORE.	Strategic Director, Customers and Relations	3	4	12
SP3	Cyber Security	The Council suffers a successful cyber attack on its computer systems.	Service Provision	4	4	16	Very High	Potentially severe disruption to core services, with financial, legal and reputational impacts for the Council, and potentially significant harm caused to residents.	Ongoing review of IT policies and protocols to ensure that they are fit for purpose and implement a training program for all staff and members. Implementing defined action plans to rapidly respond to any attacks on our systems to help minimise any potential damage. <i>CBC suffered a targeted cyber attack in December 2020, which was successful in breaching the security protocols. However the activation of the rapid response plans to lock accounts, reset all passwords and introduce new measures (including multi factor authentication for all users) were effective in limiting the impact and demonstrated the effectiveness of the mitigation measures in place.</i>	Assistant Director, Corporate & Improvement	3	3	9



				Initial Score								Residual Score		
Ref	Risk Title	Description	Strategic / Recovery Strand	P	I	O	RATING	Consequences	Mitigation	Lead	P	I	O	
CO1	Partnership Delivery	Failure or inappropriate performance management of one or more strategic partnerships or key contracts E.g. Haven Gateway, LEP, ICS, CBH, Emergency Services	Community	3	4	12	High	The cost of service delivery is increased however quality decreases. Failure to deliver key priorities. Reputational and financial loss by the Authority. Failure to deliver expected outcomes through partnerships. Requirement to repay external funding granted to partnership – taking on the liabilities of the 'withdrawn' partner. External assessment of the Councils partnerships are critical and score poorly.	Review the assessment process for proposed strategic partnerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT before commitment to new partnerships is made.	Strategic Director, Customers and Relations	3	3	9	
ST3	Partnership Commitment	Change of direction / policy within key partner organisation and they revise input / withdraw from projects. Increased risk due to partners having to review service provision in response to the impacts of Covid-19 on their business.	Strategic	4	3	12	High	The cost of service delivery is increased however quality decreases. Failure to deliver key priorities. Reputational and financial loss by the Authority. Failure to deliver expected outcomes through partnerships. Requirement to repay external funding granted to partnership – taking on the liabilities of the 'withdrawn' partner. External assessment of the Councils partnerships are critical and score poorly.	Set a formal relationship / performance review process to be used by all partnerships and ensure results are reported to senior management. Ensure that Exec Board and Leadership review partnerships on a regular basis. Embed Scrutiny Cttee process for key partnerships including CBH and the Safer Colchester Partnership.	Strategic Director, Customers and Relations & Strategic Director, Policy & Place	3	3	9	
CO2	CBC Function	The expectation remains that the Council will step in to deliver services when other providers either fail or reduce service provision	Community	4	3	12	High	The Council suffers from a loss of reputation as customers' expectations are not met. There is increased demand on existing services leading to a reduction in standards of delivery.	Ensure that Cabinet set a clear and consistent message about the role of CBC for customers and partners.	Strategic Director, Customers and Relations	3	3	9	
CM1	Service Innovation	Not taking or creating opportunities to maximise the efficient delivery of services through shared provision, partnerships or commercial delivery	Commercial	4	3	12	High	If not properly managed then either the Council could lose the opportunity to develop further or may have enforced changes to service delivery. Adverse impact on local residents / resources. Missed opportunities to boost local economy. Conflict between Council / Government agendas. Reduction in levels of service provision and potential withdrawal of services.	Identify and maintain skill set required to meet future challenges, maintain partnership relationships	Strategic Director, Policy & Place	3	3	9	
SP1	Data Protection	Sensitive data, in any format, is not correctly managed, processed or protected from loss or theft in line with GDPR and Data Protection Act requirements.	Service Provision	3	4	12	High	Potentially severe disruption to core services and/or data theft, with financial, legal and reputational impacts for the Council, and potentially significant harm caused to residents from any breach, potential financial losses, directly or indirectly e.g. ICO fines.	Ongoing review of data security policies and protocols to ensure that they are fit for purpose and implement a training program for all staff.	Chief Operating Officer	2	4	8	
PR1	Budget Strategy	Inability to deliver the budget strategy as planned.	Priorities	3	4	12	High	Failure to deliver the planned budget. Unplanned additional use of balances / reserves or to adapt financial plans to deal with impact of changes.May be a need to make in-year budget and service changes.	Ensure effective use of the controls built into the annual budget strategy, to enable the organisation to respond quickly to changes. Regular monitoring of actual spend/income and sensitivity analysis to consider the impact on income streams and the capacity of the organisation to deliver services. Regular and open reporting and updating of the budget position through Cabinet, prudent use of reserves where necessary to mitigate in-year losses and thematic approach to 21/22 budget process to identify savings and achieve a sustainable position. Further lobbying of central government to cover all losses as promised.	Chief Operating Officer	2	4	8	



				Initial Score									Residual Score		
Ref	Risk Title	Description	Strategic / Recovery Strand	P	I	O	RATING	Consequences	Mitigation	Lead	P	I	O		
OP1	ICT	Major system failure causing significant service disruption	Operational	2	5	10	High	Theacceleratd use of technology in 2020 and increasing reliance on IT to continue normal business leaves the Council potentially vulnerable to any major system failure, across all service areas.	Continue to shift any remaining legacy systems into more resilient, cloud-based solutions in line with ICT strategy. Ensure that the IT Disaster Recovery plan, and service plans, adequately reflect the organisation's requirements and provide an effective framework for maintaining service provision. Regularly review the IT development strategy to ensure it continues to support the organisations ambitions and provides appropriate safeguards for IT service delivery.	Assistant Director, Corporate & Improvement	2	4	8		
CO4	Partnership Performance	Potential inability to agree shared outcomes/ agendas with partners and the Council's ability to influence partner's performance.	Communities	3	4	12	High	The cost of service delivery is increased however quality decreases. Failure to deliver key priorities. Reputational and financial loss by the Authority. Failure to deliver expected outcomes through partnerships. Requirement to repay external funding granted to partnership – taking on the liabilities of the 'withdrawn' partner. External assessment of the Councils partnerships are critical and score poorly.	Review the assessment process for proposed strategic partnerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT before commitment to new partnerships is made.	Strategic Director, Customers and Relations	2	4	8		
ST1	EU Transition	Operational impacts due to the new relationship between the UK and EU.	Strategic	4	3	12	High	Following EU Transition period ending on 31 December 2020, and with the Trade and Cooperation Agreement completed, the risks of EU Exit are most likley to be experienced through disruption to the Council's supply chains as the new trading relationship and customs arrangements are established.	Continue to monitor the potential issues and maintain effective and up to date business continuity plans.	Chief Operating Officer	2	3	6		
SP5	Staff Wellbeing	Staff wellbeing or motivation declines with an impact on service delivery and resilience.	Service Provision	3	4	12	High	Decline in service performance. Disengaged and demotivated staff. Efficiency and productivity reduction Inability to meet changing requirements and needs Customer perceptions decline as we deliver less. Loss of key staff	Monitor staff morale and trends using staff surveys and by monitoring the People Dashboard; and ensure good communications with staff, exploiting new technologies such as yammer. Implement the action plan for the People Strategy; ensuring that performance is regularly monitored. Regularly report the progress of the learning and development strategy, including financial considerations and business behaviours, and exploring training alternatives.	Assistant Director, Corporate & Improvement	2	3	6		
SP6	Customer Confrontation	There is an increase in challenging behaviour from customers, towards officers, when the Council cannot meet the customer's expectations. Alongside partners being unable to provide support or having incorrectly signposted the customer to the Council.	Service Provision	3	3	9	Medium	Officers suffer potential mental and physical issues as a result of confrontations. The ability to assist the customer is reduced. Service delivery declines	Ensure that the Health & Safety reporting process is used to record instances of violence and aggression, with regular reporting to senior management. Develop an on-line training tool for staff, for managing difficult situations. Liaise with partners, such as Police and health, about expectations for vulnerable customers. Both in terms of emergency response to issues and services that the Council can, and cannot, provide.	Strategic Director, Customers and Relations	3	2	6		
EF1	Capacity	Over reliance on a limited number of people limits ability to deliver our ambition.	Efficiency	3	3	9	Medium	The Borough Council loses its status and influencing ability at sub-regional, regional and national levels.	Manage the recruitment and development processes to ensure that the organisation has the appropriate skills and expertise.	Assistant Director, Corporate & Improvement	3	2	6		



SCORE DEFINITIONS	1	2	3
Impact	<p>Very Low</p> <p>Insignificant effect on delivery of services or achievement of Strategic Vision &amp; Corporate Objectives.</p>	<p>Low</p> <p>Minor interruption to service delivery or minimal effect on Corporate Objectives.</p>	<p>Medium</p> <p>Moderate interruption to overall service delivery/effect on Corporate Objectives or failure of an individual service.</p>
Probability	<p>10%</p> <p>May happen – unlikely</p>	<p>10 -25%</p> <p>Possible</p>	<p>26 – 50%</p> <p>Could easily happen</p>



4	5
<p>High</p> <p>Major interruption to overall service delivery or severe effect on Corporate Objectives.</p>	<p>Very High</p> <p>Inability to provide services or failure to meet Corporate Objectives</p>
<p>51 – 75%</p> <p>Very likely to happen</p>	<p>Over 75%</p> <p>Consider as certain</p>







RISK MATRIX  
January 2021

Medium Risks	High Risks	V High Risks
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Initial Score Matrix

Scoring 1-5

Risk Tolerance  
Line

Probability of Occurrence	5 Very High				ST4	
	4 High			CM1 ST3	CO2 ST1	SP3 ST2 SP4
	3 Medium			CO5 SP6	EF1	CO3 CO1 PR1 SP5 CO4 SP1
	2 Low					OP1
	1 Very Low					
		1 Very Low	2 Low	3 Medium	4 High	5 Very high
Severity of Impact						

Residual Score Matrix

Scoring 1-5

Risk Tolerance  
Line

Probability of Occurrence	5 Very High			ST4		
	4 High			ST2		
	3 Medium		EF1 SP6	CM1 CO2 ST3 SP3	CO1 SP4 CO3	
	2 Low			ST1 CO5 SP5	CO4 PR1 SP1 OP1	
	1 Very Low					
		1 Very Low	2 Low	3 Medium	4 High	5 Very high
Severity of Impact						







19<sup>th</sup> January 2021

<b>Report of</b>	<b>Assistant Director Corporate &amp; Improvement</b>	<b>Author</b>	<b>Paul Cook</b> ☎ 505861 <b>Mark Jarvis</b> ☎ 282774
<b>Title</b>	<b>Treasury Management – Annual Review 2019/20</b>		
<b>Wards affected</b>	Not applicable		

## 1 Executive Summary

- 1.1 This report is part of the cycle of monitoring treasury management in the Council and follows the completion of the audit of the Council's Statement of Accounts. The Treasury Management Strategy (TMS) covers all the borrowing and investment activities of the Council.
- 1.2 Over the years, the borrowing strategy has sought to borrow internally given the low investment rates on offer however given the increase in the capital programme and reduction in available capital receipts, the Council has been required to borrow an additional £21.3m on a short-term basis to fund the capital programme. External borrowing increased to £162.4m compared to at £141.1 million in 2018/19.
- 1.3 The investment policy reflected the Council's low appetite for risk. The financial year continued the challenging low return investment environment of previous years. The Council's investments at the end of the year totalled £55.6 million.
- 1.4 The Council employ Link Asset Services to provide a consultancy service in respect of treasury management, to include advice on borrowing, investments, counterparty credit details and general capital accounting information. Their performance was considered satisfactory in 2019/20.

## 2 Action required

- 2.1 The Committee is asked to consider the TMS Annual Review 2019/20 following the 2019/20 audit of accounts.
- 2.2 To note the Council's increase in borrowing to fund the capital programme.
- 2.3 The Committee is asked to note the satisfactory performance of Link Asset Services.

## 3 Reason for scrutiny

- 3.1 The CIPFA Treasury Management Code of Practice requires the Council to produce three main reports each year, which are all required to be scrutinised and reviewed:
  - the Treasury Management Strategy Statement.
  - the Mid-Year Treasury Management Report.
  - the Annual Treasury Management Review (this report).

## 4 Treasury Management Review 2019/20



4.1 The Annual Treasury Management Review 2019/20 is attached as a separate document in appendix A.

#### 4.2 Summary of TMS Prudential Indicators

##### Investments

Indicator	2018/19	2019/20 Strategy	2019/20 Actual	Comments
	£m	£m	£m	
Creditworthiness	Link creditworthiness system			All investments within policy
Country Limits		AA-		All investments within policy
Non-UK not to exceed		£15m		All investments within policy
Return on in-house funds.	0.78%	0.50%	0.87%	Improved return

##### Borrowing

Indicator	2018/19	2019/20 Strategy	2019/20 Actual	Comments
	£m	£m	£m	
Authorised Borrowing Limit	176,961	221,849	162,444	
Operational Boundary	161,961	206,849	162,444	
Maturity Structure				
< 1 year	3.9%	15%	21.8%	Over time the period to maturity of existing loans decreases and may cause variations. The strategy limits exceed 100% in total allowing some flexibility to choose loan maturities.
1 to 2	0.0%	15%	2.1%	
2 to 5	15.6%	15%	6.2%	
5 to 10	0.5%	15%	0.4%	
10 to 20	10.2%	30%	13.5%	
20 to 30	25.5%	30%	22.2%	
30 to 40	25.1%	40%	21.8%	
40 to 50	12.9%	40%	6.5%	
50+	6.3%	10%	5.5%	
Average borrowing rate	4.46%		4.43%	

#### **5 Strategic Plan references**

5.1 Prudent treasury management underpins the budget strategy required to deliver all Strategic Plan priorities.

#### **6 Publicity considerations**

6.1 Appendix A to the annual report is confidential.

#### **7 Financial implications**



- 7.1 Interest paid and earned on borrowing and investments is shown within the Central Loans and Investment Account (CLIA). Outturn figures for 2019/20 show a favourable variance of £163k. This takes into account additional borrowing costs, which is offset by investment income being higher than budgeted due to the level of cash balances available.
- 7.2 During 2019/20, increased remained steady at 0.5% and subsequently decreased on the 11<sup>th</sup> March 2020 and 19<sup>th</sup> March 2020 to 0.25% and 0.1% respectively to a record low of 0.10%

Month	Base Rate	Change
19-Mar-20	0.10%	↓ 0.15
11-Mar-20	0.25%	↓ 0.5
02-Aug-18	0.75%	↑ 0.25

- 7.3 Following the 2019/20 audit of the Council's accounts, the auditors highlighted two areas in relation to the loan investment into Colchester Commercial Holdings Limited that need to be reviewed. These are in relation to the interest rate of the loans provided to the company and the decision to provide MRP (Minimum Revenue Provision) on these loans.
- 7.4 There are two loans provided to Colchester Commercial Holdings Limited. The first for Colchester Amphora Homes Limited (CAHL), the other for Colchester Amphora Energy Limited (CAEL). Interest rates on both of these loans are being reviewed and benchmarked against similar companies during 2020/21 to ensure an appropriate rate is applied in all the circumstances.
- 7.5 The requirement to provide MRP is to ensure the Council provide sufficient funds to repay debt. With regards to the loans to CAHL and CAEL, no provision was made on the basis that there is a contractual arrangement in place to repay the loans in 3 to 5 year based on the business plan of the companies. At the time of the audit, no repayment plan had been provided raising the recommendation in regard to the Council's MRP policy.

## 8 Risk management implications

- 8.1 Risk Management is essential to effective treasury management. The Council's Treasury Management Policy Statement contains a section on treasury Risk Management (TMP1).
- 8.2 TMP1 covers the following areas of risk all of which are considered as part of our treasury management activities:
- Credit and counterparty risk
  - Liquidity risk
  - Interest rate risk
  - Exchange rate risk
  - Refinancing risk
  - Legal and regulatory risk
  - Fraud, error and corruption, and contingency management
  - Market risk

## 9 Other standard references

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



**Appendices**

Appendix A – Investment held as at 31<sup>st</sup> March 2020 [CONFIDENTIAL]

**Background Papers**

Treasury Management Strategy 2019/20



# Annual Treasury Management Review 2019/20

## **1 Introduction**

- 1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 During 2019/20 the minimum reporting requirements were as follows:
  - an annual treasury strategy in advance of the year (Council 20 February 2019)
  - a mid year treasury update report (Governance & Audit Committee 26 November 2019)
  - an annual review following the end of the year describing the activity compared to the strategy (this report)
- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 1.4 The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to the annual treasury strategy by the Scrutiny Panel before it was reported to the full Council.
- 1.5 This report summarises:
  - Capital financing activity during the year;
  - Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
  - The actual prudential and treasury indicators;
  - The overall treasury position;
  - The Treasury Management Strategy for 2019/20;
  - The economy and interest rates;
  - Borrowing activity; and
  - Investment activity.

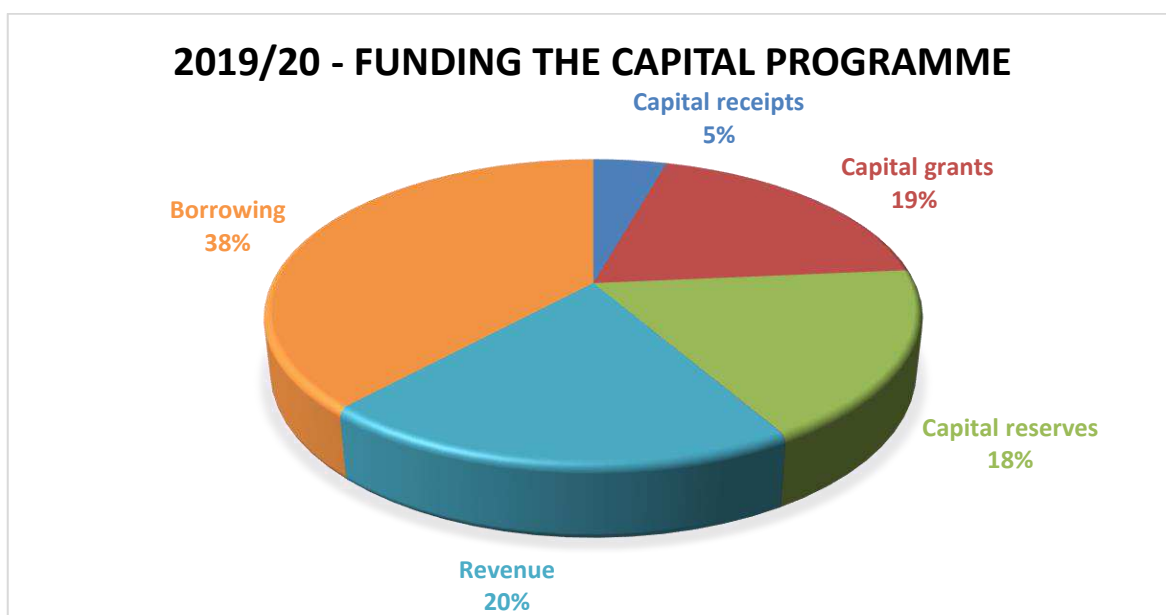
## **2 Capital expenditure and financing 2019/20**

- 2.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:
  - Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
  - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.



- 2.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	<b>2018/19 Actual £'000</b>	<b>2019/20 Actual £'000</b>
General Fund capital expenditure	14,878	30,594
HRA capital expenditure	10,226	15,648
Total capital expenditure	25,104	46,242
Resourced by:		
· Capital receipts	2,280	2,007
· Capital grants	1,840	8,892
· Capital reserves	2,544	8,369
· Finance Leases	0	11
· Revenue	9,605	9,316
New borrowing requirement	8,835	17,647



### **3 The Council's overall borrowing need**

- 3.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2019/20 new borrowing requirement (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 3.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the Capital Programme, the Finance team organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through



borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLb] or the money markets) or utilising temporary cash resources within the Council.

- 3.3 The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR. The total CFR can also be reduced by:
- the application of additional capital financing resources (such as unapplied capital receipts); or
  - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
- 3.4 The Council's 2019/20 MRP Policy (as required by MHCLG Guidance) was approved as part of the Treasury Management Strategy Report on 20 February 2019.
- 3.5 The Council's CFR for the year is shown below and represents a key prudential indicator. It includes on balance sheet leasing schemes that increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

CFR	31-Mar-19 Actual £'000	31-Mar-20 <sup>(1)</sup> Original £'000	31-Mar-20 <sup>(2)</sup> Actual £'000
Opening balance	154,189	165,324	161,680
Add unfinanced capital expenditure	8,835	55,317	17,647
Add on-balance sheet leasing schemes	0	0	11
Write-off of finance lease creditor	(22)	217	(224)
Less MRP/VRP	1,322	1,416	1,504
Closing balance	161,680	220,641	177,610

(1) As per 2019/20 Treasury Management Strategy – February 2019

(2) As per 2019/20 statement of accounts

- 3.6 Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.
- 3.7 In order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its **gross borrowing position** does not, except in the short term, exceed the planned limit. The limit is the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.



	<b>31-Mar-19 Actual £'000</b>	<b>31-Mar-20 Original £'000</b>	<b>31-Mar-20 Actual £'000</b>
Gross borrowing position	141,094	165,324	162,444
CFR	154,189	183,566	177,610

- 3.8 The **Authorised Limit** is required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2019/20 the Council has maintained gross borrowing within its authorised limit.
- 3.9 The **Operational Boundary** is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
- 3.10 The **actual financing costs as a proportion of net revenue stream** indicator identifies the trend in the cost of capital (borrowing and other long-term obligations cost net of investment income) against the net revenue stream.

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>
Authorised limit	180,252	221,632
Maximum gross borrowing position	141,094	162,444
Operational boundary	159,613	206,849
Average gross borrowing position	141,094	142,108
Financing costs as a proportion of net revenue stream	8.15%	8.48%

## **4 Treasury position as at 31 March 2020**

- 4.1 The Council's debt and investment position is organised to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting (as detailed in the introduction), and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2019/20 the Council's treasury position (excluding finance leases) was as follows:

	<b>31-Mar-19 Principal £'000</b>	<b>Rate/ Return %</b>	<b>31-Mar-20 Principal £'000</b>	<b>Rate/ Return %</b>
Fixed rate funding:				
PWLB	104,594	3.80%	104,594	3.80%
LOBO	5,500	3.63%	5,500	3.63%
Market	9,000	4.28%	9,000	4.28%
Local Authorities / LEP	2,000	1.02%	23,350	1.43%
Stock Issue	20,000	8.79%	20,000	8.79%
<b>Total debt</b>	<b>141,094</b>	<b>4.46%</b>	<b>162,444</b>	<b>4.41%</b>
CFR	154,189		177,610	
Over/ (under) borrowing	(13,095)		(15,166)	
Investments - In house	54,212	0.78%	55,610	0.87%
<b>Total investments</b>	<b>54,212</b>	<b>0.78%</b>	<b>55,610</b>	<b>0.87%</b>



- 4.2 The maturity structure of the debt portfolio is shown below. It should be noted that for LOBO loans, the maturity date is deemed to be the next call date. They are therefore all shown as short-term debt:

	Approved Maximum %	31-Mar-19 Actual		31-Mar-20 Actual	
		£'000	%	£'000	%
Under 1 year	15.0	5,500	3.9	35,500	21.8
1 - 2 years	15.0	22,000	15.6	3,350	2.1
2 - 5 years	15.0	0	0.0	10,000	6.2
5 - 10 years	15.0	700	0.5	700	0.4
10 - 20 years	30.0	14,300	10.2	21,900	13.5
20 - 30 years	30.0	36,000	25.5	36,000	22.2
30 - 40 years	40.0	35,394	25.1	35,394	21.8
40 - 50 years	40.0	18,200	12.9	10,600	6.5
Over 50 years	10.0	9,000	6.3	9,000	5.5
		<b>141,094</b>	<b>100.0</b>	<b>162,444</b>	<b>100.0</b>

- 4.3 All of the Council's investments were for a period of less than one year, and there was not any exposure to variable rates of interest.
- 4.4 The outturn position for the Central Loans and Investment Account (CLIA) is shown below. This shows the outturn position as being a favourable variance of £163k.

CLIA	Budget £'000	Actual £'000	Variance £'000
Total Interest Paid	6,760	6,541	(219)
Less: HRA recharge	(5,884)	(5,639)	245
<b>Total less HRA</b>	<b>876</b>	<b>902</b>	<b>26</b>
Total Investments	(270)	(573)	(303)
Less: Item 8 credit	30	144	114
<b>Total less HRA</b>	<b>(240)</b>	<b>(429)</b>	<b>(189)</b>
<b>Total CLIA</b>	<b>636</b>	<b>473</b>	<b>(163)</b>

- 4.5 The CLIA comprises the Council's borrowing costs and investment income. It is difficult to predict and can be affected by several factors. The majority of the Council's debt is on fixed rates reflecting the longer-term nature of the borrowing decisions. Investments are generally made for shorter periods, making returns more variable. This mix is generally more beneficial when interest rates are high or increasing. It is important to add that the exposure to interest rate movements is regularly monitored to minimise risks to changes in returns. The reasons that have contributed to the above variances include:
- The variance against interest income is as a result of a higher level of funds than was envisaged being available for investment, and the rates against some investments being greater than the budgeted figure. A proportion of this



income was moved to the Housing Revenue Account, based on average HRA balances and investment returns.

## **5     *The strategy for 2019/20***

- 5.1 Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. For the most part this forecast was correct however the impact of the Covid 19 crisis prompted the bank of England to take emergency action to reduces rates, first to 0.25% on the 11 March and then to 0.1% on 19<sup>th</sup> March 2020. Initially this rate cut had minimal impact to the rates offered by the Councils counter parties however this has subsequently changed in the new year.
- 5.2 The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, as capital spend increases and capital receipts are either delayed or diminished, the need to borrow increases. In the autumn of 2019, the government announces an immediate hike in PWLB borrowing due to the large amount of borrowing planned by local government. This added a 100 BPS increase the any PWLB borrowing. In March of 2020, a PWLB consultation was launch and a partial reversal of the 100bps increase for HRA investment.
- 5.3 Towards the end of 2019/20, the Council borrowed £20m on a short-term basis to cover the financing need. Details of the loans can be found in appendix A.
- 5.4 The investment policy reflected the Council's low appetite for risk, emphasising the priorities of security and liquidity over that of yield. The main features of the policy were that the Council will apply minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties, which also enables diversification and avoidance of concentration risk. Investment decisions also applies the creditworthiness service provided by Link Asset Services, which combines data from credit rating agencies with credit default swaps and sovereign ratings.
- 5.5 The Council would only use approved counterparties from countries with a minimum credit rating of 'AA-'. The Council will consider longer-term deals if attractive rates are available within the risk parameters set by the Council.
- 5.6 Investment returns remained low during 2019/20 and have subsequently dropped in March 2020 given the emergency cuts to base rate.
- 5.7 **Changes in strategy during the year** – the strategy adopted in the original Treasury Management Strategy for 2019/20 approved by the Council on 20 February 2019, was reviewed as part of the mid-year update report. There were no proposed changes to the strategy as a result of this review.

## **6     *The economy and interest rates***

- 6.1 The main issue in 2019 was the repeated battles in the House of Commons to agree on one way forward for the UK over the issue of Brexit. This resulted in the



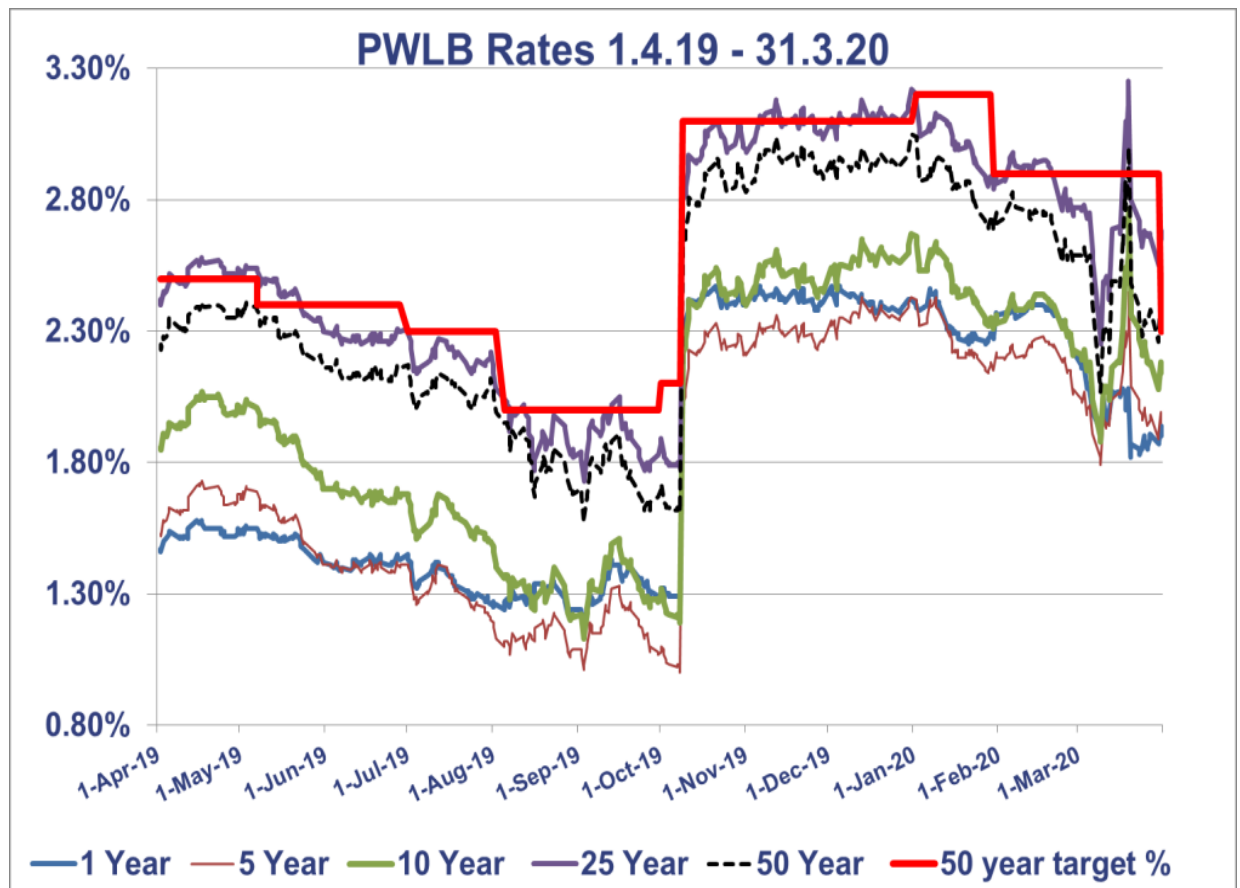
resignation of Theresa May as the leader of the Conservative minority Government and the election of Boris Johnson as the new leader, on a platform of taking the UK out of the EU on 31 October 2019. The House of Commons duly frustrated that renewed effort and so a general election in December settled the matter once and for all by a decisive victory for the Conservative Party: that then enabled the UK to leave the EU on 31 January 2020. However, this still leaves much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020. It is also unclear as to whether the coronavirus outbreak may yet impact on this deadline; however, the second and third rounds of negotiations have already had to be cancelled due to the virus.

- 6.2 Inflation has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price. Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

## **7 Borrowing**

- 7.1 HM Treasury has imposed two changes in the margins over gilt yields for PWLB rates in 2019-20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then partially reversed for some forms of borrowing on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this ends on 4 June. It is clear that the Treasury intends to put a stop to local authorities borrowing money from the PWLB to purchase commercial property if the aim is solely to generate an income stream.
- 7.2 Following the changes on 11 March 2020 in margins over gilt yields, the situation is as follows:
- 7.3
- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
  - **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
  - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)



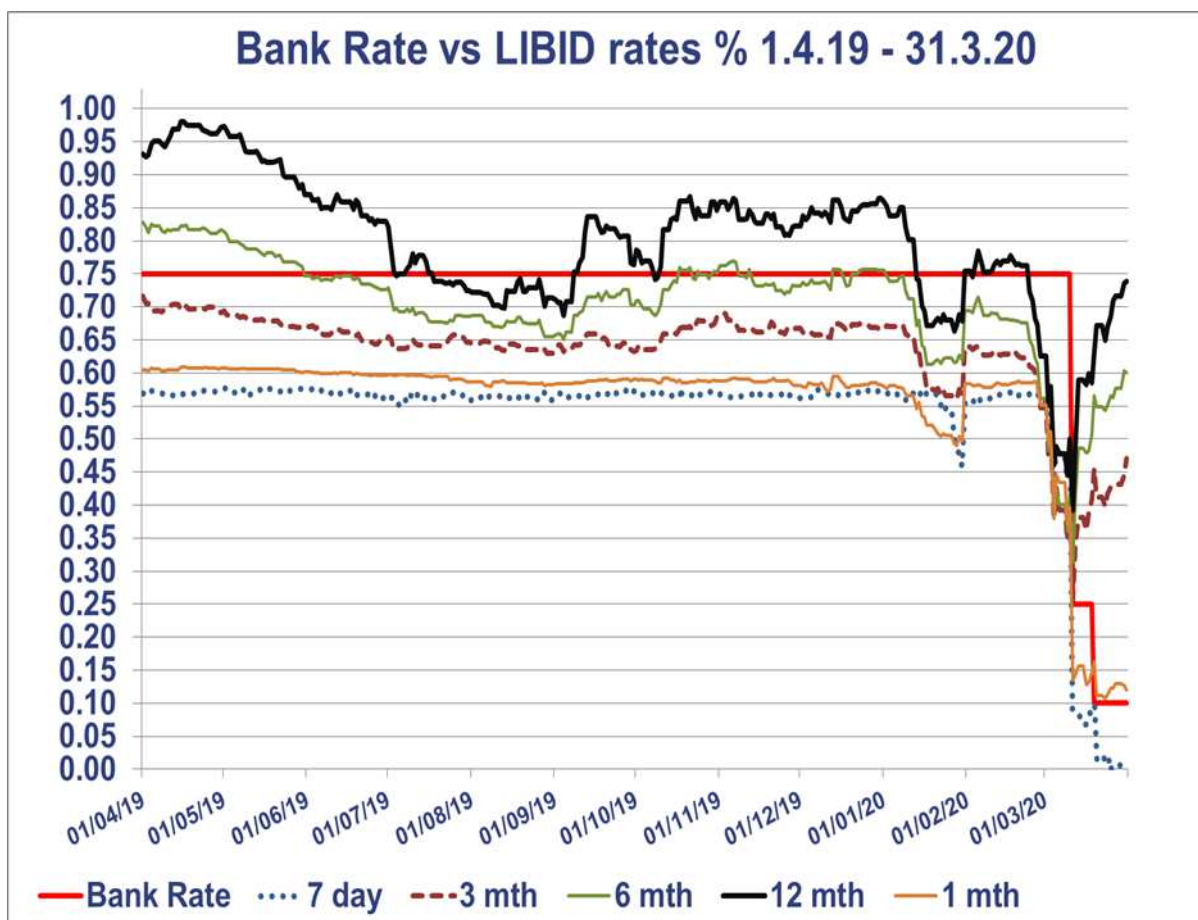


- 7.4 The Council's total debt outstanding at 31 March 2020 was £162.4m, which is an increase of £21.3m on last year. Due to the low rates available, this resulted in the average interest rate on the Council's debt at the end of the year reducing to 4.41%.
- 7.5 The Council's approach during the year was primarily to use cash balances to finance new capital expenditure. This minimised counterparty risk incurred on investments, and maximised treasury management budget savings as investment rates were much lower than most new borrowing rates.

## 8 **Investments**

- 8.1 Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020. Shorter term investment interest rates were fairly flat during most of the year until the two cuts in Bank Rate in March 2020 caused investment rates to fall sharply.





- 8.2 The Council manages its investments in-house, and its cash balances comprise revenue and capital resources and cash flow monies. The Council's investment policy is governed by MHCLG investment guidance, which was implemented in the Annual Investment Strategy approved by the Council on 20 February 2019. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.)
- 8.3 The investment activity during the year conformed to the approved strategy, the Council had no liquidity difficulties, and no institutions in which investments were made during 2019/20 had any difficulty in repaying investments and interest in full.
- 8.4 The Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

	31-Mar-19	31-Mar-20
Balance Sheet Resources	£'000	£'000
Balances	12,498	6,206
Earmarked Reserves	23,080	32,475
Provisions	4,526	3,483
Capital Reserves	4,044	977
<b>Total</b>	<b>44,148</b>	<b>43,141</b>



- 8.5 The Council's internally managed funds earned an average rate of return of 0.87%. The comparable performance indicator is the average 6-month LIBID rate (London Interbank Bid Rate – the rate charged by one bank to another for a deposit) (uncompounded), which was 0.70%.

Financial Year	Return %	Benchmark LIBOR (6 Month Rate)
2018/19	0.78	0.72
2019/20	0.87	0.70

- 8.6 The Council had temporary investments totalling £55.6m outstanding as at 31 March 2020. Of this, £18.1m relates to fixed-term deposits that are due to mature during 2020/21, £30m is held in 'AAA' rated money market funds with the remaining £7.5m is held in notice accounts. All of the deposits were made in accordance with the 2019/20 Annual Investment Strategy. A full list of investments held as at 31 March 2020 is shown in **Appendix A** (confidential).



19 January 2021

<b>Report of</b>	<b>Assistant of Director of Corporate and Improvement</b>	<b>Author</b>	<b>Paul Cook</b>  <b>505861</b> <b>Mark Jarvis</b> <b>282794</b>
<b>Title</b>	<b>Treasury Management Strategy - Mid Year Review Report 2020/21</b>		
<b>Wards affected</b>	Not applicable		

## 1 Executive Summary

- 1.1 The 2020/21 Treasury Management Strategy Statement (TMSS) was approved by Council on 13 February 2020. This report is a mid-year review of the Council's treasury management.
- 1.2 Complying with CIPFA's Code of Practice on Treasury Management the update includes:
  - an economic update
  - whether key elements of the TMSS and annual investment strategy require changes
  - performance against prudential indicators
  - a review of borrowing strategy
  - highlights areas to be taken into consideration in preparing the 2021/22 TMSS
- 1.3 In addition, this report covers recent changes in the structure of Public Works Loan Board lending rates to local authorities.

## 2 Recommended Decision

- 2.1 To approve the mid-year review.

## 3 Reason for Recommended Decision

- 3.1 Treasury Management governance arrangements require Governance and Audit to approve a mid-year Treasury Management report.

## 4 Alternative Options

- 4.1 Alternative options regarding treasury management activities are considered on an ongoing basis, in consultation with the Council's Treasury Advisors, Link Asset Services.

## 5 Introduction

- 5.1 The Council operates a balanced budget in line with statutory requirements. This broadly means that in year income meets the Council's spending requirements.
- 5.2 Treasury Management operations ensure:



- that cashflow is adequately planned, with surplus monies being invested in line with the Council's Treasury Management Policies and Practices and the Council's risk appetite for investments and borrowing
- that the Council's capital plans are fully funded, treasury management practices supporting the requirement for long term cashflow planning and supporting the Council's need to borrow.
- Local Authorities are required under statute to self-regulate on the affordability, prudence and sustainability of its capital investment plans and borrowing through a process of setting estimates, indicators and the Council's overall risk appetite; and reporting on these on a regular basis.

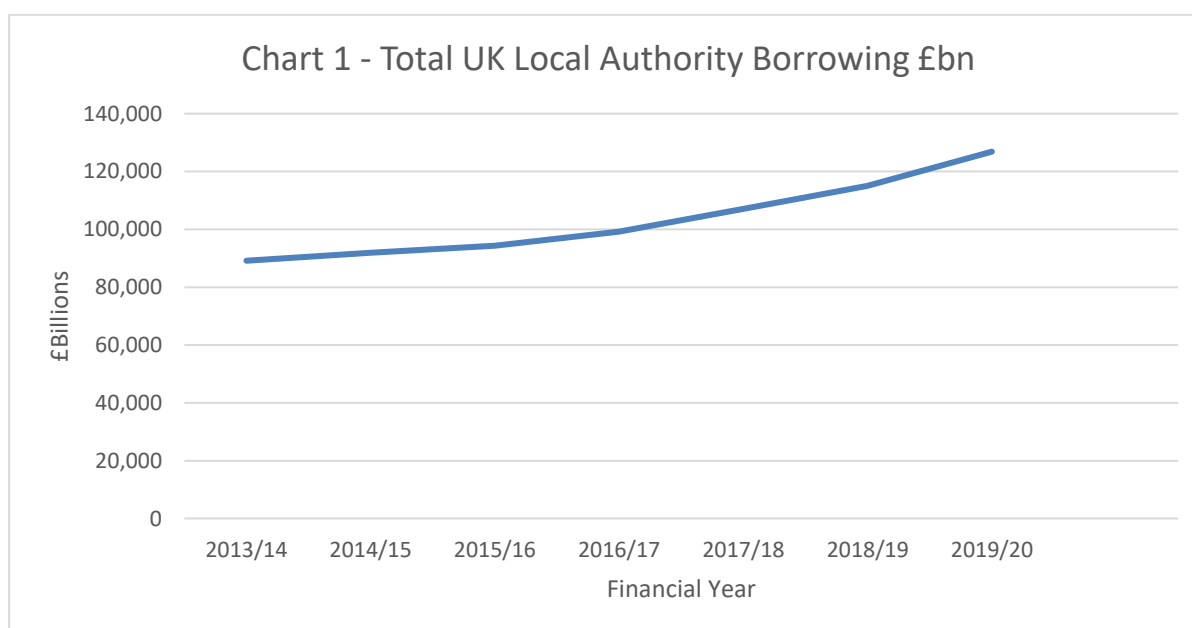
5.3 Treasury Management is defined as 'the management of the Council's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of risks associated with these activities; and the pursuit of optimum performance consistent with those risks.'

5.4 The management of the Council's treasury management processes is supported by Treasury Management Practices and the Council employs Link Asset Services to provide specialist consultancy in respect of treasury management, especially with regards to investments and debt, as well as capital accounting arrangements and asset finance.

5.6 In line with statutory requirements the Council has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017). This mid-year position report complies with the Code.

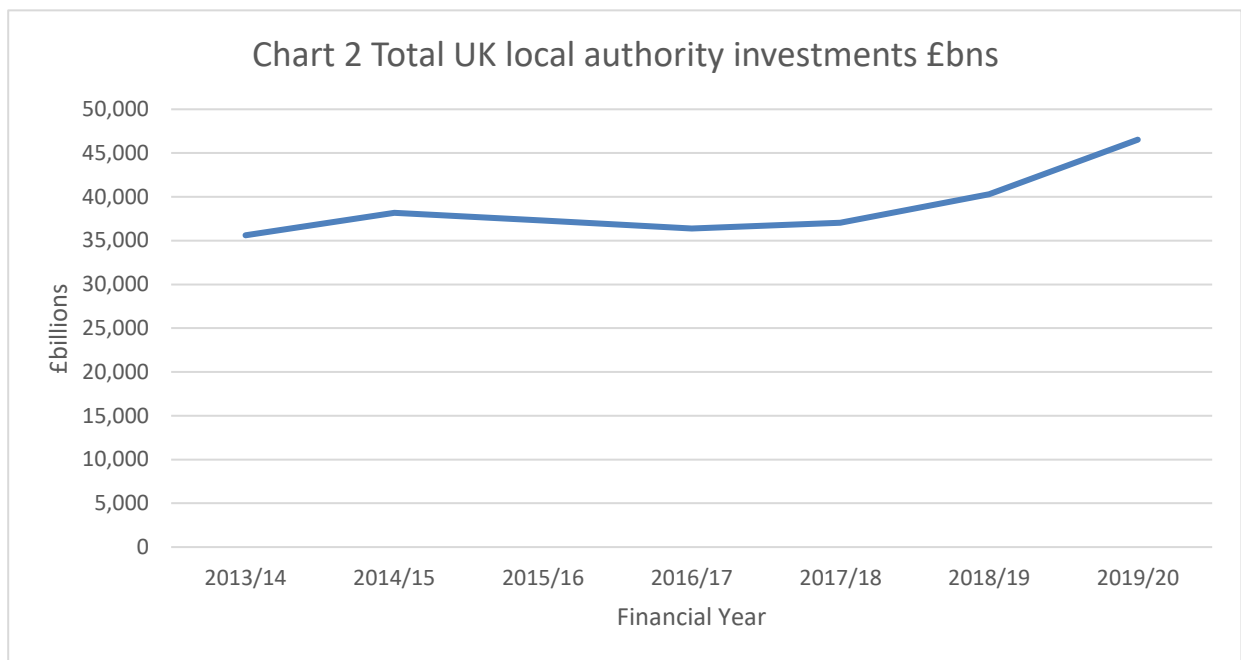
## 6 Economic Update

6.1 Local authority borrowing has gradually increased over the last few financial years. This reflects the funding of local authority capital programmes.



6.2 Over the same period there has been more variability in total investments.





- 6.3 There has been a considerable rise in the use of money market funds and other managed funds reflecting the low rates on offer from banks directly to local authorities. The table shows Colchester's comparative position at September 2020.

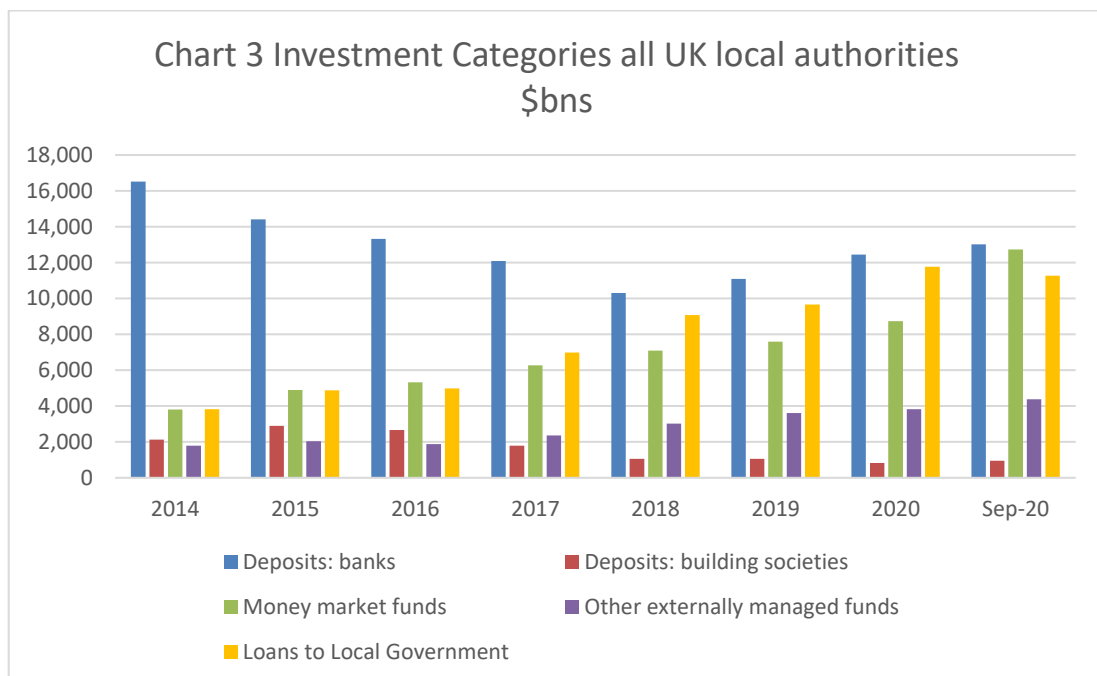




Table 1 – Investment distribution 30 September 2020		UK local authorities	Colchester
1	Bank	25%	33%
2	Building society	2%	Nil
3	Money market funds	25%	52%
4	Externally managed funds	9%	Nil
5	Local government	18%	15%
6	Other	22%	Nil
7	Total	100%	100%

6.4 The economic forecast remains difficult given the impact of the global pandemic. A recent update provided by the Council's Treasury advisors concludes the following over the next few years based on a level risk analysis:

- The fall in GDP in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
- The peak in the unemployment rate was revised down from 9% in Q2 to 7½% by Q4 2020.
- It forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

6.5 Full details of the Council's Treasury Advisors economic analysis are included at Appendix A to this report.

## 7 Treasury Management Strategy 2020/21

7.1 The TMSS includes the following key elements:

- The Council continues to maintain an under-borrowed position. It will borrow internally, reducing the cost of carry as current investment rates are substantially below long term borrowing rates. This also reduces the Council's exposure to credit risk by reducing the level of investment balances.
- The Council's investment policy reflects a low appetite for risk; emphasising the priorities of security and liquidity over yield.
- The budgeted return on investments placed for periods up to 100 days is 0.5%. This was set prior to the impact of the global pandemic.
- That the Council complies with the CIPFA Prudential and Treasury Management Codes (Revised 2017); in relation to setting of capital plans, setting and reporting on prudential indicators, evaluation of the General Fund MRP and other related governance guidance.

7.2 No immediate mid-year changes are proposed to the TMSS.



## 8 The Council's Capital Position and Prudential Indicators

8.1 This part of the report updates:

- The Council's capital expenditure plans and their financing
- The impact of changes to the Council's capital plans on prudential Indicators and the underlying need to borrow
- Compliance with the limits on borrowing activity.

### Capital Expenditure

8.2 The table below identifies the revised 2020/21 capital programme forecast since the original capital budget was approved by Council in February 2020. A review of the capital programme was reported to Cabinet in November 2020.

Table 3 Capital Expenditure 2020/21 £k	Original Estimate	Revised Estimate
General Fund capital expenditure	72,249	25,070
HRA capital expenditure	30,163	29,332
<b>Total capital expenditure</b>	<b>102,412</b>	<b>54,402</b>

8.3 The main variances are as follows:

- On-lending to Colchester Commercial Holdings Limited £26.6m
- New Strategic Priorities £10m.

### Changes to the financing of the capital programme

8.4 Funding of the capital programme is updated for the lower expected level of expenditure. The Medium Term Financial Forecast provides minimum revenue provision and interest for new debt.

	Table 4 - New Borrowing Requirement 2020/21 All £k	Original Estimate	Revised Estimate
1	General Fund capital expenditure	72,249	25,070
2	HRA capital expenditure	30,163	29,332
3	Total capital expenditure	<b>102,412</b>	<b>54,402</b>
	Resourced by:		
4	Capital receipts	23,625	8,336
5	Capital grants	11,578	10,318
6	Capital reserves	3,176	9,901
7	Finance leases	0	0
8	Revenue	8,716	2,826
9	New borrowing requirement	55,317	23,021

### Capital Financing Requirement (CFR)

8.5 The following table shows the CFR, the Council's total need to borrow for capital purposes including both past and current financial years.



Table 5 - CFR 2020/21 All £k	Original Estimate	Revised Estimate
Opening balance	183,566	177,610
Unfinanced capital expenditure	55,317	24,924
Less MRP	1,996	1,903
Closing balance	236,887	200,631

### Limits to borrowing activity

- 8.6 Councils' have a responsibility to ensure that over the medium-term net borrowing is only be for capital purposes. Gross external debt should not - except in the short term - exceed the CFR in the preceding year plus any additional CFR for the current and the next two financial years. This allows flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

Table 6 - Limits to Borrowing activity 2020/21 All £k	Original Estimate	Revised Estimate
Gross Debt 1 April 2020	165,324	162,444
Borrowing 2020/21	55,317	7,500
Other Long Term Liabilities	0	0
Gross Debt 31 March	220,641	159,944
CFR	236,887	200,631
Under/(Over) Borrowed Position	16,246	30,687

- 8.7 The Council is expected to be in an under borrowed position compared to its CFR at the end of 2020/21. This is in line with the Treasury Management Strategy. The Council can demonstrate that its borrowing is for capital investment purposes.
- 8.8 The Operational Boundary is the limit against which external debt is not normally expected to exceed.

Table 7 – Operational Boundary All £k	Original Estimate	Revised Estimate
Operational Boundary	247,617	247,617

## 9 Investment Portfolio 2020/21

- 9.1 In accordance with the Prudential Code, the Council is required to ensure that the security and liquidity of its investments take priority over the level of return. As detailed at paragraph 5, it is a very difficult investment market in terms of returns
- 9.2 The Council had £58m of investments as at 30<sup>th</sup> September 2020 (£62.4m as at 31 September 2019).
- 9.3 A full list of investments is listed at Appendix B (confidential section of the Agenda).
- 9.4 The Head of Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of the year.

## 10 Borrowing



- 10.1 The Council is forecast to have borrowings of £169,944m at the end of the financial year, with the expectation of utilising £30,687 of cash flow funds in lieu of borrowing to fund the capital programme. This is prudent and cost effective approach in the current economic climate and interest rate structure.
- 10.2 As detailed above further borrowing of £7.5m is planned during this financial year. This level of borrowing is dependent on the timing of capital projects. It remains possible that the Council may borrow less than this in this financial year.

## **11 PWLB interest rate structure**

- 11.1 On 26<sup>th</sup> November 2020, HM Treasury announced a cut in the rates, taking them back to the level they were at before the Treasury increased them by one percentage point in October 2019.
- 11.2 Under the new rules, councils seeking to borrow from PWLB will now have to provide a three year capital plan, confirming it does not intend to borrow primarily for yield at point over the period or from any source.

## **12. Standard References**

- 11.1 There are no particular references to the Strategic Plan; consultation; or publicity consideration; community safety; health and safety implications.

## **13. Financial implications**

- 12.1 As set out in the body of this report.

## **13. Risk Management Implications**

- 13.1 The Council's Treasury Management Strategy supported by the Treasury Management Practices, reflects the council's low risk appetite for treasury management investments; in line with the current economic outlook. The mid-year review provides the opportunity to report and review on the practices for the first six months of the financial year against the Council's strategy and take remedial action as required.

## **Appendices**

- Appendix A – Economic Update from Link Asset Services
- Appendix B – Confidential paper



### Economics and interest rates

#### 3.1 Economics update

- As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6<sup>th</sup> August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:
  - The fall in **GDP** in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
  - The peak in the **unemployment rate** was revised down from 9% in Q2 to 7½% by Q4 2020.
  - It forecast that there would be excess demand in the economy by Q3 2022 causing CPI **inflation** to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.
- It also squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including QE and the use of forward guidance.
- The MPC expected the £300bn of **quantitative easing** purchases announced between its March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.
- In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the “medium-term projections were a less informative guide than usual” and the minutes had multiple references to **downside risks**, which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1<sup>st</sup> November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid September.
- Overall, **the pace of recovery** is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations



concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.

- There will be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.
- One key addition to **the Bank's forward guidance** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate
- The **Financial Policy Committee** (FPC) report on 6<sup>th</sup> August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.
- **US.** The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked **its inflation target** from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.
- **EU.** The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.



- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.
- **Japan.** There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.
- **World growth.** Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.



### 3.2 Interest rate forecasts

The Council's treasury advisor, Link Group, provided the following forecasts on 26<sup>th</sup> November 2020 (PWLB rates are certainty rates, gilt yields plus 180bps):

Link Group Interest Rate View		9.11.20		(The Capital Economics forecasts were done 11.11.20)											
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20															
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00	
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30	
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80	
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60	
Bank Rate															
Link	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
Capital Economics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-	
5yr PWLB Rate															
Link	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00	
Capital Economics	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	-	-	-	-	-	
10yr PWLB Rate															
Link	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30	
Capital Economics	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	-	-	-	-	-	
25yr PWLB Rate															
Link	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80	
Capital Economics	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	-	-	-	-	-	
50yr PWLB Rate															
Link	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60	
Capital Economics	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	-	-	-	-	-	

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6<sup>th</sup> August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31<sup>st</sup> March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

### GILT YIELDS / PWLB RATES.

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of



a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields spiked up during the initial phases of the health crisis in March, we have seen these yields fall sharply to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. At the close of the day on 30<sup>th</sup> September, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were at only 0.76% and 50 year at 0.60%.

Following the changes on 26<sup>th</sup> November 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

#### **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

#### **Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:**

- **UK** – another nationwide wave of virus infections requiring a national lockdown
- **UK / EU trade negotiations** – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In addition, the EU recently agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already



huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.

- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks**, for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

#### **Upside risks to current forecasts for UK gilt yields and PWLB rates**

- **UK** - stronger than currently expected recovery in UK economy.
- **Post-Brexit deal.**
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.







19 January 2021

<b>Report of</b>	<b>Assistant Director of Corporate and Improvement</b>	<b>Author</b>	<b>Lauren Warsap</b>
<b>Title</b>	<b>Annual Review of Business Continuity</b>		<b>☎ 282372</b>
<b>Wards affected</b>	Not applicable		

## 1. Executive Summary

- 1.1 Colchester Borough Council provides a wide range of services to the local community. Any unexpected interruption to those services can have a negative impact on both the community and the authority. As such, the Council has established a Business Continuity process to minimise, as far as possible, the likelihood of an incident occurring and the potential impact if it does happen.
- 1.2 This report provides Members with an overview of the of the Council's Business Continuity activity for the period from 01 October 2019 to 30 September 2020.

## 2. Recommended Decision

- 2.1 Consider and comment on the business continuity work undertaken during the period.
- 2.2 Endorse the Business Continuity Strategy for 2021.

## 3. Reason for Recommended Decision

- 3.1 The Risk Management Strategy, which forms part of the policy framework, identifies the Governance & Audit Committee as being responsible for reviewing the effectiveness of the risk management process and reporting critical items to Cabinet as necessary. Business continuity is an integral part of the risk management process and it is appropriate that a detailed progress report is provided to this Committee.

## 4. Alternative Options

- 4.1 There are no alternative options to consider

## 5. Background Information

- 5.1 Whilst Business Continuity primarily relates to the delivery of the Council's own services, it sits alongside the Council's responsibilities for Emergency Planning, where the Council is required to assist the emergency services in dealing with events in the borough (such as flooding) as set out in the Civil Contingencies Act 2004. Under the act there are two duties relating specifically to business continuity:
  1. To be able to carry on providing its own services in the event of a disruption
  2. To provide advice and guidance relating to business continuity to local businesses and voluntary organisations.



- 5.2 The responsibility for ensuring that the Council has effective business continuity plans rests with the Chief Operating Officer and the function is delivered by the Corporate Governance Team. The role is to provide advice and guidance to services including the co-ordination of individual service plans as well as the overall Council plan. Issue specific plans, such as responding to a flu pandemic, are also required.
- 5.3 Business continuity issues are primarily reported to the 'First Call Officer' group, this consists of the senior management team and other key staff. The primary role of this group is to provide the strategic management of any emergency – either internal or external. The group meets every two months to review plans and consider emergency planning and business continuity issues.

## **6. Summary of Work Undertaken**

- 6.1 The primary focus for 2020 has been dealing with the COVID19 Pandemic and preparations for the United Kingdom's exit from the European Union. This has required a significant input from the Resilience Officer to ensure that CBC participates in tactical coordination groups (TCG's) and provide support for the First Call Officer attending the Strategic Coordinating Group (SCG's). The RO has also been providing support to those service areas who were significantly affected by the pandemic.
- 6.2 The Council's response to the pandemic required the implementation of parts of both the corporate and service business continuity plans, responding to rapid changes in resources and service delivery requirements. After the initial response phase, the plans were assessed to ensure that the assumptions that had been made previously, such as critical trigger points were correct. No significant changes were required to the plans but all of them were updated to reflect service changes, responsibilities and emergency contact details.
- 6.3 Despite the unforeseen pressure from COVID19, some Emergency Planning training has still taken place virtually. There has been a large EU Exit exercise conducted by the Essex Resilience Forum which CBC staff attended and a virtual second wave COVID19 exercise.
- 6.4 CBC Officers are also providing administration support to the Essex Resilience Forum for the Multi agency Information Cell (MAIC). This was initially set up to deal with EU Exit, but it is now also used for the COVID19 Pandemic and it is still live now.
- 6.5 Despite the on-going pandemic we continue to work collaboratively with the Essex Resilience Forum (ERF) to produce generic plans that can be used across the whole of the County.

## **7.0 Business Continuity Strategy for 2021**

- 7.1 The Business Continuity Strategy was agreed for the first time in 2009. A requirement within the strategy, and also of the regular internal audit assessment, is that it is reviewed annually to ensure that it is still appropriate to the Council's needs.
- 7.2 Therefore a review has been undertaken and the strategy has been updated for 2021. The revised strategy is attached at appendix A. It is considered that the strategy continues to meet the needs of the organisation and therefore there are no changes to the strategy or the business continuity process.



## **8. Equality, Diversity and Human Rights implications**

- 8.1 There are no equality, diversity or Human Rights implications as a result of this report.

## **9. Strategic Plan References**

- 9.1 The ability of the Council to carry on providing critical services, even when dealing with a major disruption, is fundamental to ensuring the achievement of the strategic plan objectives.

## **10. Risk Management Implications**

- 10.1 The failure to adequately manage a business interruption may have an effect on the ability of the Council to achieve its objectives and operate effectively.

## **11 Environmental and Sustainability Implications**

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

## **12. Other Standard References**

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

## **Appendices**

Appendix A – Business Continuity Strategy for 2021









# Business Continuity Strategy 2020/21

A framework for developing plans to minimise disruption, when unplanned events significantly interrupt normal business.

November 2020



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## **BUSINESS CONTINUITY STRATEGY – 2020**

### **1.0 Introduction**

Colchester Borough Council provides a wide range of services to the local community, many of which are statutory and critical functions. Any failure, actual or perceived, to deliver the full range of services will have a negative impact on both the community and the authority. As such, all reasonable measures should be adopted to minimise the likelihood of business or service interruption.

The Civil Contingencies Act 2004 places a specific duty on local authorities to ensure that they have prepared, as far as reasonably practical, to continue to provide critical functions during any disruptive incident.

However, the Civil Contingencies Act is just one of the key drivers for business continuity. External assessments, such as the benefits inspection and the Lexcel accreditation, require robust business continuity arrangements to provide assurance that quality services will always continue to be provided. But above all, business continuity is critical to the Council in its ability to survive an incident with as little disruption to services and reputation as possible.

This Business Continuity Strategy provides the framework for developing plans that will prevent or mitigate the severity of potential disruptions and enable the Council to effectively respond to incidents.

The plan will identify the mitigation measures, specific recovery objectives, the structure for implementation and the communication process to keep staff, partners and the public informed of necessary changes to service delivery.

### **2.0 Overview**

The strategy adopted for development of the business continuity plans can be summarised as follows:

- The Corporate Incident Management Plan will form the basis of the Council's response. This is an operational document designed to assist the authority in the event of a disruption occurring. The plan sets priorities and communications to ensure an appropriate response to any disruption.
- The Corporate Incident Management Plan is the overall tool for the Council and event controllers. However, this is supported by service specific business continuity plans which ensure that each service is able to respond appropriately to an incident whether it is a corporate or service specific interruption.
- Incident specific plans are also developed for corporate issues where the risk indicates sufficient likelihood of occurrence and the impact is seen to be severe, such as pandemics, power failures and technology failure.
- Business Impact Analyses (B.I.A.s) are undertaken to be able to develop the plans. B.I.A.s assess the key risks and key services at both corporate and service level, and their maximum tolerable period of disruption (MTPD), which will help to identify preventative measures that can be undertaken.



### 3.0 Aim and Objectives

The aim of the strategy is:

- To support the Council in anticipating risks for the purpose of mitigating them and having flexible plans in place, which are already tested, to minimise disruption when unplanned events significantly interrupt normal business.

The objectives are:

- To identify preventative measures that can be carried out to minimise the likelihood of an incident occurring.
- To ensure the Council can continue to exercise its functions in the event of an emergency, ensuring that critical services are maintained.
- To integrate the Business Continuity requirements with the Emergency Planning responsibilities of the Authority to ensure that in the event of a major disruption the Authority can respond appropriately both internally and externally.
- To identify the essential services, to determine overall priorities for recovery of functions if disruption takes place.
- To ensure all Council service areas are involved in the preparation of the Plan, so that there is an effective and consistent response to service continuity.
- To provide a basis for cost benefit analysis to determine which contingency plans will be developed.
- To develop a process to review and update the plan and develop service area, functional or specific plans where necessary, to protect the services and reputation of the Council.
- To undertake training and awareness programmes for staff, elected members, suppliers, and partners.
- To carry out regular tests of the Plan to validate the arrangements.



## 4.0 The Business Continuity Process

Irrespective of an unusual or disruptive event, occurring internally or externally, the capabilities of the Council to meet its statutory and legal duties, provide critical services to the community and income generation must be maintained. This process aims to address the issues likely to arise, and to identify measures to mitigate them.

The Business Continuity process aims to address the issues likely to arise, and potential solutions, grouped in the following three areas:

- MITIGATION - Identify and select proactive measures to reduce likelihood of disruption
- CONTINUITY AND RECOVERY - Maintenance of essential services and set timescales for recovery, returning to normality
- INCIDENT RESPONSE STRUCTURE - Provide a mechanism for responding to an incident

Business Continuity is an on-going cyclical process of risk assessment, management and review with the purpose of ensuring that the business can continue if risks materialise.

The effective implementation of business continuity has 6 stages:

- Policy and Programme Management
- Embedding business continuity
- Analysis
- Design
- Implementation
- Validation

## 5.0 Responsibility for Business Continuity

To be effective Business Continuity should be fully endorsed and actively promoted by senior management and there should be a clearly defined responsibility for co-ordination of Business Continuity. However, it does not belong to one person, or role, and every service has a responsibility for ensuring that they are capable of responding to an interruption.

There are three levels of responsibility for managing the business continuity process:

1. Co-ordinator
2. Corporate Response Team
3. Service Teams

There is a core role of co-ordinating the process and ensuring that services have access to information and assistance when building their own plans. The co-ordinator also has responsibility for ensuring that key partners are involved in the process.



If there is a disruption, there should be a defined corporate response team who will have overall control of the situation. The co-ordinator is responsible for maintaining details of this team ensuring that they are fully briefed on executing the plan and are informed of any potential issues that may arise.

There are also individual service action teams who are responsible for ensuring that their service has its own response plan and can manage the continuity and recovery for the functions within that service. The team is likely to consist of one person for the process of defining the response plans and day to day co-ordination of Business Continuity, but will call upon other senior managers if and when the plan needs to be put into practice.

Appendix 1 sets out the roles and responsibilities for Business Continuity at all levels.

## **6.0 Links**

To be an effective management tool and to truly embed the process throughout the organisation the plan should recognise and be influenced by the Council's operational and strategic risk registers, this will lead automatically to the plan linking into the Internal Audit plan, the strategic plan and the budget process. The plan should also recognise the Community Risk Register, maintained by the Essex Resilience Forum, to ensure that external impacts are recognised and allowed for.

The Business Continuity process must also be closely linked to the Emergency Planning process. In any major scenario it is likely that other organisations in the Borough will be impacted as well, and it is essential for the Council to be able to respond to their requirements as well as its own. Due to the nature of the response required from Emergency Planning it is likely that they will be the first service to receive external information regarding potential issues and it is imperative that there is a system for incorporating these issues in the Business Continuity process.

The Plan should also be aligned to the International standard for Business Continuity ISO 22301 – 2012 and the BCI 'Good Practice Guidelines 2018'.

## **7.0 Training**

All members of the Corporate Response Team and the Service Teams need to be trained, and exercised, on an annual basis to ensure that they are fully aware of how to implement the plan. All staff should be informed of the process and further training should be available if required. Members should be trained to ensure that they know of the existence of the plan and how they can assist, politically, in the continuity and recovery process.

## **8.0 Review Process**

The Plan will be reviewed annually to ensure that it is still relevant to the Council's needs. However, the individual plans for each service will be subject to review every six months to ensure that information on service functions and contact details are kept up to date. The high risks and priority services will also be re-assessed annually.



Appendix 1

**ROLES & RESPONSIBILITIES FOR BUSINESS CONTINUITY**

	<b>Strategy And Plan</b>	<b>Defence</b>	<b>Continuity</b>	<b>Recovery</b>
<b>Members</b>	Agreeing the strategy and plan determined by Officers.	Endorsing the defence plans and ensuring that political decisions are taken with due Regard for Business Continuity.	Political will to ensure that there is a united approach to Continuity.	Political will to ensure that there is a united approach to Recovery.
<b>Corporate Governance Manager &amp; Resilience Officer</b>	Devising and co-ordinating the strategy and plan.	Ensuring that the defence actions are appropriately implemented, are regularly reviewed and that services have developed Own plans.	Co-ordination of the Corporate Response Team and the Service Action Teams. Guidance on the plan And mitigating actions during the incident.	Co-ordination of the Service Action Teams. Guidance on the plan and reporting progress of Recovery to senior management.
<b>Senior Management Team</b>	Approval and support of the strategy and Plan. Completion of Service plans.	Critical review and approval of the Defence actions.	Support of the actions of the Corporate Response Team During the incident.	Support the actions of the Service Action Teams, endorse recovery Priority for services.
<b>Corporate Response Team (Senior Management Team acting in First Call Officer Capacity)</b>	Overview of strategy and Plan. Review Of 'new issues.	Critical review of The defence plans. Ensuring that the information contained within The plan is accurate Annual testing of The plan.	Control the response to the incident until such time as the organisation enters The recovery stages. Ensuring that priority services are afforded The proper support. Ensuring information is available to Members and staff. Keeping SMT Informed.	Review the actions of the Service Action Teams. Facilitate full recovery and ensure that recovery follows The correct priority. Liaison with external agencies. Ensuring information is available. Keeping SMT informed.
<b>Service Action Teams</b>	Input into the formulation of the strategy And plan.	Development of Defence plans and implementation of control actions. Ensure that checklists of key Info are compiled. Identification of Service priorities.	Co-ordinate their Service's response. Act as a liaison Between Corporate Response Team and Service. Respond to Corporate Response teams' requests during An incident.	Implement their own team recovery plan whilst maintaining the link With the Corporate Response Team. Briefing staff. Overseeing alternative accommodation.
<b>Employees, contractors and partners</b>	Knowledge of the strategy and plan, and awareness of impact on own Job / service.	Knowledge of the defence plans and awareness of impact on own job / service	Assist with the incident where Required. Know how to / who to contact in Emergency.	Assist with recovery Where required. Understand how they fit into the recovery of their Service.









## Governance & Audit Committee

Item  
**15**

19 January 2021

<b>Report of</b>	<b>Assistant Director – Corporate and Improvement</b>	<b>Author</b>	<b>Paul Cook</b> <b>☎ 505861</b> <b>Sam Preston</b> <b>☎ 282707</b>
<b>Title</b>	<b>Increase in write-off delegation to £10,000</b>		
<b>Wards affected</b>	Not applicable		

### 1 Executive Summary

- 1.1 To consider increasing the limit for officers to write-off debts.

### 2 Recommended Decision

- 2.1 To recommend to 27 January 2020 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.

### 3 Reason for Recommended Decision

- 3.1 The write-off limit for officers has been set at £5k for at least 10 years. The Retail Price Index has increased by about 30% during this period. The £5k limit was most probably set around 2000, since when the RPI has increased by about 70%
- 3.2 In order to manage debts more efficiently it is recommended to update this limit to £10k.
- 3.3 Thereafter the limit could be increased in line with inflation, subject to a minimum £1k step. This will avoid the need to report back to Governance and Audit Committee annually.

### 4 Alternative Options

- 4.1 Not to increase the limit.

### 5 Financial implications

- 5.1 Debt recovery procedures are set out in the Council's income and debt management policy. [Income and Debt Management Policy November 2019](#).
- 5.2 Debts that are proposed for write off are fully or mainly covered by a bad debt provision.
- 5.3 The decision to write-off a debt is only made after every reasonable effort has been made at recovery having regard to the value of the debt.
- 5.4 Write-offs over £100 already require the authorisation of the Corporate Debt Manager and the S151 Officer. If the debt exceeds £5k, Portfolio Holder authorisation is required. To change this limit revises the Council's Financial Regulations. If the Committee approves the change it will be recommended to 27 January 2021 Cabinet as part of the 2021/22 Budget Report.
- 5.5 Customer Services has for several years achieved excellent collection results for council tax, business rates and other income. The service could further improve its efficiency if it



were able to deal more expeditiously with writing off debts up to £10k without a Portfolio Holder report.

## **6 Environmental and Sustainability Implications**

- 6.1 The Capital Programme reflects the Council's declaration of a Climate Emergency and its commitment to becoming carbon neutral by 2030. The efficient operation of debt collection is fundamental to achieving this result.

## **7 Equality and Diversity Implications**

- 7.1 The change will enable more time to be devoted to working with clients and customers to manage their obligations to the Council effectively.

## **8 Risk management implications**

- 8.1 None.

## **9 Other standard references**

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

## **10 Background papers – None**



## Governance and Audit Committee

Item  
**16**

19 January 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.

### 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**

<b>Governance and Audit Committee</b>
<b>Meeting date / Agenda items -</b>
Governance and Audit Committee - <b>23 June 2020</b>
<ol style="list-style-type: none"> <li>1. Draft Annual Statement of Accounts 2019/2020</li> <li>2. Year End Internal Audit Assurance Report 2019/2020</li> <li>3. Review of the Governance Framework and Draft Annual Governance Statement</li> <li>4. CCHL – Annual report</li> </ol>
Governance and Audit Committee - <b>28 July 2020</b>
Governance and Audit Committee briefing followed by the following items -
<ol style="list-style-type: none"> <li>1. Review of Governance Framework and Draft Annual Governance Statement</li> <li>2. LGA Consultation on a Model Code of Conduct for Councillors</li> <li>3. Review of digital meetings following Covid-19</li> </ol>
Governance and Audit Committee - <b>8 September 2020</b>
<ol style="list-style-type: none"> <li>1. Colchester Borough Homes Annual Report and Governance Statement</li> <li>2. Financial Monitoring Report – April to June 2020</li> <li>3. Capital Expenditure Monitor 2020/2021</li> <li>4. 2019/2020 Year End Review of Risk Management</li> </ol>



<b>Governance and Audit Committee - 20 October 2020</b>
<ol style="list-style-type: none"> <li>1. Local Government and Social Care Ombudsman Annual Review 2019/2020</li> <li>2. Health and Safety Policy and Annual Report</li> <li>3. Review of digital meetings following Covid-19</li> </ol>
<b>Governance and Audit Committee – 24 November 2020</b>
<ol style="list-style-type: none"> <li>1. Audited Statement of Accounts 2019/2020</li> <li>2. Equality and Safeguarding Annual Update</li> <li>3. Review of the Council's Ethical Governance Policies</li> <li>4. Annual Review of the Members' Code of Conduct and the Council's Localism Act "Arrangements"</li> <li>5. Review of Local Code of Corporate Governance</li> <li>6. Review of Member/Officer Protocol</li> <li>7. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Employees.</li> </ol>
<b>Governance and Audit Committee - 19 January 2021</b>
<ol style="list-style-type: none"> <li>1. Interim Review of the Annual Governance Statement Action Plan</li> <li>2. Risk Management Progress Report</li> <li>3. Mid-Year Internal Audit Assurance Report 2020/2021</li> <li>4. CCHL Half-Year Performance Report</li> <li>5. Annual Review of the Council's Companies' Business Plans</li> <li>6. Treasury Management Report 2019-20</li> <li>7. Treasury Management – Half Yearly Update</li> <li>8. Annual Review of Business Continuity</li> <li>9. Annual Audit Letter</li> <li>10. Revision to Write Off Limits</li> </ol>
<b>Governance and Audit Committee - 23 March 2021</b>
<ol style="list-style-type: none"> <li>1. External Audit Plan for year ending 31 March 2021 and Certification of Claims and Returns – Annual Report 2019/2020</li> <li>2. Financial Monitoring Report</li> <li>3. Capital Expenditure Monitor 2020/2021</li> <li>4. Internal Audit Plan 2021/2022</li> </ol>



