Governance and Audit Committee Meeting

Grand Jury Room, Town Hall, High Street, Colchester, CO1 1PJ
Thursday, 07 March 2019 at 18:00

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

Information for Members of the Public

Access to information and meetings

You have the right to attend all meetings of the Council, its Committees and Cabinet. You also have the right to see the agenda, which is usually published five working days before the meeting, and minutes once they are published. Dates of the meetings are available at www.colchester.gov.uk or from Democratic Services. Occasionally meetings will need to discuss issues in private. This can only happen on a limited range of issues, which are set by law. When a committee does so, you will be asked to leave the meeting.

Have Your Say!

The Council values contributions from members of the public. Under the Council's Have Your Say! policy you can ask questions or express a view to most public meetings. If you wish to speak at a meeting or wish to find out more, please refer to Your Council> Councillors and Meetings>Have Your Say at www.colchester.gov.uk

Audio Recording, Mobile phones and other devices

The Council audio records all its public meetings and makes the recordings available on the Council's website. Audio recording, photography and filming of meetings by members of the public is also permitted. The discreet use of phones, tablets, laptops, cameras and other such devices is permitted at all meetings of the Council. It is not permitted to use voice or camera flash functionality and devices must be kept on silent mode. Councillors are permitted to use devices to receive messages and to access papers and information via the internet and viewing or participation in social media is at the discretion of the Chairman / Mayor presiding at the meeting who may choose to require all devices to be switched off at any time.

Access

There is wheelchair access to the Town Hall from St Runwald Street. There is an induction loop in all the meeting rooms. If you need help with reading or understanding this document please take it to the Library and Community Hub, Colchester Central Library, 21 Trinity Square, Colchester or telephone (01206) 282222 or textphone 18001 followed by the full number that you wish to call and we will try to provide a reading service, translation or other formats you may need.

Facilities

Toilets with lift access, if required, are located on each floor of the Town Hall. A water dispenser is available on the first floor and a vending machine selling hot and cold drinks is located on the ground floor.

Evacuation Procedures

Evacuate the building using the nearest available exit. Make your way to the assembly area in the car park in St Runwald Street behind the Town Hall. Do not re-enter the building until the Town Hall staff advise you that it is safe to do so.

Library and Community Hub, Colchester Central Library, 21 Trinity Square,
Colchester, CO1 1JB
telephone (01206) 282222 or textphone 18001 followed by the full number you wish to call
e-mail: democratic.services@colchester.gov.uk
www.colchester.gov.uk

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

Accounts and Audit

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

Governance

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

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

Other regulatory matters

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

To determine and approve Community Governance Reviews.

Standards in relation to Member Conduct

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

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

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

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

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

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

General

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

Consider and review the activities and financial performance of Colchester Commercial (Holdings) Limited and its subsidiary companies, those Council services generating income of approximately £250,000 and above, and any other partly or wholly owned company of the Council.

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 and other Council services with significant income streams.

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 the Board of Directors of Colchester Commercial (Holdings) Limited to Cabinet.

COLCHESTER BOROUGH COUNCIL
Governance and Audit Committee
Thursday, 07 March 2019 at 18:00

Member:

Councillor Adam Fox	Chairman
Councillor Helen Chuah	Deputy Chairman
Councillor Robert Davidson	
Councillor Theresa Higgins	
Councillor Fiona Maclean	
Councillor Lorcan Whitehead	
Councillor Dennis Willetts	

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

AGENDA - Part A
(open to the public including the press)

Members of the public may wish to note that Agenda items 1 to 5 are normally brief.

1 **Welcome and Announcements**

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

2 **Substitutions**

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

3 **Urgent Items**

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

4 **Declarations of Interest**

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

5 **Minutes of Previous Meeting**

The Councillors will be invited to confirm that the minutes are a correct record of the meetings held on 30 October 2018 and the 13 November 2018.

Governance and Audit Minute 30-10-18 11 - 14

Governance and Audit Minute 13-11-18 15 - 20

6 **Have Your Say!**

The Chairman will invite members of the public to indicate if they wish to speak or present a petition on any item included on the agenda or any other matter relating to the terms of reference of the meeting. Please indicate your wish to speak at this point if your name has not been noted by Council staff.

7 **Certification of Claims and Returns External Audit Annual Report 2017-18** 21 - 42

The Committee have been asked to note and comment on the contents of the 2017/18 certification claims and returns annual report and qualification letter, issued by the Council's external auditors Ernst & Young(EY) and to also note the Department for Work and Pensions (DWP) letter of 13 February 2019.

8 **Audit Plan year ended 31 March 2019** 43 - 78

The Committee have been asked to review and agree the Audit Plan for the year ending 31 March 2019.

9 **Capital Expenditure Monitor 2018/19 – April to December 2018** 79 - 90

The Committee have been asked to review the progress of the schemes included in the capital programme, the associated spend for the first nine months of the financial year, the budget forecasts for 2018/19 and future years and the RAG rating for each scheme as defined by the relevant project manager.

10 **Financial Monitoring Report – April to December 2018** 91 - 106

The Committee have been asked to consider the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first nine months of 2018/19, and to note the whilst there is a forecast budget overspend of £267k on the General Fund there remain a number of end of year items which are expected to result in the outturn being delivered on budget.

11 **Brexit – governance and business continuity** 107 - 110

The Committee have been asked to note the report's content and

overview of the current arrangements.

12 **Review of the Business Plans, Governance and Performance of the Council's Wholly-Owned Companies** 111 - 146

The Committee have been asked to note the governance arrangements that are in place between the Council and Colchester Commercial (Holdings) Limited and its subsidiary companies.

They have also been asked to consider and review the activities and financial performance of Colchester Commercial (Holdings) Limited and its subsidiary companies and to also review, and make recommendations to Cabinet on, the refreshed Colchester Commercial (Holdings) Limited Business Plans, including for its subsidiary companies.

13 **Risk Management Progress Report** 147 - 162

The Committee have been asked to consider and comment on the Council's progress and performance in managing risk during the period from April to September 2017 and also consider and comment on the current strategic risk register.

14 **Annual Review of Business Continuity** 163 - 174

The Committee have been asked to consider and comment on the business continuity work undertaken during the period of 01 January 2018 to 31 December 2018 and to also endorse the Business Continuity Strategy for 2019.

15 **Interim Review of the Annual Governance Statement Action Plan** 175 - 180

The Committee have been asked to consider and comment on the work undertaken to implement the current Annual Governance Statement action plan.

16 **Internal Audit Plan 2019/20** 181 - 186

The Committee have been asked to consider and agree the suggested Internal Audit plan for 2019/20 as shown in appendix A of the report.

17 **Work Programme 2018 -19** 187 - 190

The Committee have been asked to note the contents of the Committee's Work Programme for 2018-19.

Part B

(not open to the public including the press)

18 **Exclusion of the Public (not Scrutiny or Executive)**

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

19 **Review of the Business Plans, Governance and Performance of the Council's Wholly-Owned Companies - PART B**

Not for publication draft appendices with regards to the Review of the Business Plans, Governance and Performance of the Council's Wholly-Owned Companies report from the Assistant Director of Policy & Corporate.

GOVERNANCE AND AUDIT COMMITTEE
30 OCTOBER 2018

Present:- Councillor Fox (Chair), Councillor Chuah, Councillor Davidson, Councillor Higgins, Councillor Whitehead and Councillor Willetts

Substitutes:- Councillor Dundas for Councillor F. Maclean

127. Minutes

RESOLVED as a correct record the minutes of the meeting held on 4 September 2018.

128. Equality and Safeguarding - Annual Update Report

Councillor Tina Bourne and Lucie Breadman, Assistant Director of Communities, attended the meeting to present the Council's Annual Update Report on Equality & Safeguarding. The report requests that the Committee review the progress made in meeting the Council's legal duties and objectives in regard to both Equality and Diversity, and Safeguarding, and endorse the approach set out in paragraph 7 of the report.

Councillor Bourne addressed the Committee and informed them that she felt the annual report demonstrated how the Council takes their duty seriously and proportionally. Lucie Breadman then highlighted some key changes that have been made in the last year which included publishing a range of gender pay gap figures, working on inter-agency guidance with regards to safe-guarding children and focusing on imbedding knowledge and giving support into the front line teams. This has been helped by having a steering group with representatives from each service who discuss and share ideas and look at practical examples to help see if we can live up to our aspirations. Key practical highlights have been distribution of the Voluntary Welfare grant to some of the most vulnerable people in Colchester, working with Dementia Friends and Alzheimers Society and also arranging a special early bird entrance at Colchester Castle for people who suffer with Autism.

Lucie Breadman also introduced two new lead officers to the Committee, Sonia Carr and Joanne Besant and explained that they will be working as part of the Safer Colchester Partnership.

In response to questions from the Committee, Cllr Bourne explained that they were working hard with regards to the Homelessness Strategy and they were hoping to half the amount of rough sleepers by 2020. The current number of rough sleepers in the town centre was 20. Councillor Bourne also informed the Committee that winter shelters have opened earlier this year and will remain open for 5 months following the receipt of Government Funding.

The Committee expressed their thanks and praise to Lucie Breadman and staff on a very detailed report.

RESOLVED that;

a) The Governance and Audit Committee reviewed the Annual Update Report on Equality & Safeguarding and agreed to endorse the approach as set out in paragraph 7 of the report.

129. Local Government & Social Care Ombudsman – Annual Review Letter 2017/2018 and Corporate Complaints Policy

Hayley McGrath, Corporate Governance Manager, introduced the Local Government & Social Care Ombudsman Annual Review Letter 2017/2018 and Corporate Complaints Policy report on behalf of Andrew Weavers. The report requests that the Committee note the contents of the letter and endorse the Council's revised corporate complaints policy.

Hayley McGrath provided a summary of the report and informed the Committee that a total of 21 complaints had been made in the last year, which was similar to the previous year's total. Out of those 21, five were investigated and only one was upheld but this did not cause any injustice. Hayley McGrath also highlighted that the new complaints policy simplified the process for customers to make a complaint on line.

RESOLVED that:

a) The Committee notes the contents of the Local Government & Social Care Ombudsman's Annual Review Letter for 2017/2018.
b) Endorses the Council's revised corporate complaints policy.

130. **Mid-Year Internal Audit Assurance Report 2018/19**

Hayley McGrath, Corporate Governance Manager, and Alan Woodhead, Senior Manager of Mazars, attended the meeting to present the Mid-Year Internal Audit Assurance Report 2018/19. The report requests that the Committee review and comment on the Internal audit activity for the period 1 April – 30 September 2018 and also the performance of internal audit by reference to national best practice benchmarks.

Hayley McGrath addressed the Committee and informed them of the key messages that had come from the report. Hayley explained how the report shows the effective internal audit service which has been provided during the first half of the 2018/19 financial year. The Visitor Information Centre (VIC) Cash Up, Discretionary Housing Payments and Exceptional Hardship Payments, Council Tax, and Housing Benefits and Local Tax Support Scheme audits have achieved a Full assurance rating. Two priority one, nineteen priority two and five priority three recommendations have been made and all those recommendations have been accepted by management.

The Committee questioned why information on the two priority one recommendations on the Community Hub audit had not been included within the report. Hayley McGrath informed Committee members that the review of the Community Hub was not a formal audit meaning that no assurance level has been assigned and that information on recommendations would not be included within the report. Hayley McGrath stated that the audit was conducted following a request from management to assess how the hub worked with partners, the physicality of the building and to ensure customer and staff safety was paramount.

In response to a further question regarding the commercial companies, Hayley McGrath

informed the Committee that they are audited by the same team who audit Colchester Borough Council and are included in the five year programme and will be incorporated into the rolling process. Hayley McGrath explained that Colchester Borough Council provide all the financial support services to the commercial company and that Audit would look at the functions of the commercial companies at the end of year. Hayley McGrath also highlighted that whilst the commercial companies are able to act differently, governance is managed by Colchester Borough Council. It was also confirmed that Colchester Borough Homes has a separate Audit contract, and that whilst Garden Communities is outside of the audit remit, this is reviewed at year end.

RESOLVED that;

a) the Committee considered and commented on the Internal audit activity for the period 1 April – 30 September 2018
b) the Committee reviewed and commented on the Performance of internal audit by reference to national best practice benchmarks.

131. Annual Health and Safety Review 2018/19

Hayley McGrath, Corporate Governance Manager, and Carl Free, Corporate Health and Safety Officer, attended the meeting to present the Annual Health and Safety Review 2018/19 report. The report requests that the Committee review the Health and Safety Policy to ensure that it is still appropriate to the Council's needs, and continues to be effective in identifying and mitigating health and safety risks.

Hayley McGrath explained to the Committee that the Annual Health and Safety report was not a statutory requirement but as it is part of risk management framework they felt it was good practice to bring to the Committee on a yearly basis. The report provides information on internal Health and Safety issues, as well as how Colchester Borough Council ensures that staff and visitors are kept safe within our buildings and when providing services.

Hayley McGrath informed the Committee that within the last four years the Health and Safety process has been revamped and in the last two years a substantial assurance rating has been achieved from internal audit which highlights the improvements made. Hayley McGrath then highlighted the work that Carl Free and the team had undertaken in 2017/18, with a key issue being working on improving arrangements for lone workers, which included the introduction of a new monitoring system that includes both GPS tracking and alarms. Initial feedback following the rollout of this system has been positive.

The Committee asked for the possibility of a fire drill taking place at a Full Council meeting as they have never been part of a fire drill at that time before. It was also suggested that when Councillors are first elected to the authority, they are shown evacuation points as part of their training.

RESOLVED that;

a) The revised Health and Safety Policy for 2018/19 be agreed and to RECOMMEND to COUNCIL that it be included in the Council's Policy Framework.

b) The Committee considered and commented on the Council's progress and performance in managing Health & Safety during the period October 2017 to September 2018.

132. Work programme

Councillor Adam Fox, introduced the Work programme report, which requests that the Committee note the work programme for the ensuing municipal year.

The Committee requested that an item on the Commercial Company be added to the work programme, which could look at the companies' performance, level and financial controls. Ann Hedges, Chief Operating Officer, stated would arrange for a report to be brought to the Committee in future.

RESOLVED that the Work Programme 2018-19 be noted.

GOVERNANCE AND AUDIT COMMITTEE
13 NOVEMBER 2018

Present:-	Councillor Fox (Chair), Councillor Chuah, Councillor Higgins, and Councillor Willetts
Substitutes:-	Councillor Scordis for Councillor Whitehead
Also Present:- `	Councillor King

133. Minutes

RESOLVED the minutes of the meeting held on the 30 October 2018 be deferred to the next meeting for approval.

134. Review of the Council's Ethical Governance Policies

Andrew Weavers, Monitoring Officer, introduced the review of the Council's Ethical Governance Policies report. The report requests that the Committee recommend to Full Council that it adopts the statement of intent in relation to ethical governance, and that the ethical policies are reviewed and recommended to Full Council for inclusion in the Council's Policy Framework.

Andrew Weavers stated that the policies were last reviewed at the October 2017 meeting of the Governance and Audit Committee. Andrew Weavers provided the Committee with a summary of the policies included in the report, highlighting those that had been reviewed and remain unchanged as well as those that had been reviewed and updated. Andrew Weavers stated that the Acceptable Use Policy had been strengthened due to the Data Protection Act 2018. In addition, the Income and Debt Management Policy had been amended due to legislative changes, which reduce the costs of summons by £2.50.

A member of the Committee stated that they felt that the policies were reviewed thoroughly at the meeting last year and that the updates mainly reflected where legislation had changed. The Committee member also welcomed the introduction of a table on the number of occasions where the policies had been used, even though they hadn't been used during the financial year.

A further question was asked regarding the Data Protection Policy and whether the information controllers list was a public document and whether reminders where sent out to Councillors when renewals were required. Andrew Weavers confirmed that Colchester Borough Council hold a list of data controllers and that the same information would be available from the Information Commissioners Office. With regard to renewals Colchester Borough Council pays for Councillors to be registered as data controllers for the purposes

of being a councillor and therefore this would be managed by Officers, however if Councillors register for political or other purposes, they would need to manage this themselves.

Councillor King, Portfolio Holder for Resources attended the meeting and highlighted the quality of the work in reviewing the policies and informed the Committee that he had held discussions with Andrew Weavers in this report prior to the meeting.

Another member of the Committee highlighted the training activities that took place including one for the General Data Protection Regulations and another for social media.

RESOLVED;

a) To RECOMMEND to FULL COUNCIL the adoption of the statement of intent in relation to ethical governance.

b) To RECOMMEND to FULL COUNCIL the following revised policies for inclusion in the Council's Policy Framework –
    - Anti-Fraud and Corruption
    - Whistleblowing
    - Anti-Money Laundering
    - Covert Surveillance
    - Information Security
    - Data Protection
    - Acceptable Use
    - Income and Debt Management

135. Annual Review of the Members' Code of Conduct and the Council's Localism Act Arrangements

Andrew Weavers, Monitoring Officer, introduced the Annual Review of the Members' Code of Conduct and the Council's Localism Act report. The report requests that the Committee note the contents of the report, keep the Members' Code of Conduct and the Council's "Arrangements" under annual review and to agree to make recommendations to Full Council regarding any amendments in the light of experience.

Andrew Weavers provided the Committee with a summary of the report, which includes appendices outlining the number of complaints and the type of complaint that was lodged. Andrew Weavers highlighted that training on the Code of Conduct takes place on a regular basis with sessions for both Borough Councils as well as Town and Parish Councillors. The Localism Act Arrangements and the Code of Conduct are publicly available on the website, and the Code of Conduct only applies in the capacity of Councillor.

One of the main reasons for a complaint against a Councillor was due to conduct over social media and as a result of this, a training course about social media was set up with 24 Councillors attending and positive feedback received. It is expected that following the training that there would be a reduction in the number of complaints due to social media and refresher courses will be scheduled in the near future.

Andrew Weavers stated that he believed that the Localism Act Arrangements and the Code of Conduct are operating satisfactorily and that it be kept under annual review. Andrew

Weavers also highlighted that the Governance and Audit Committee participated in the Committee on Standards in Public Life review, which was received and acknowledged. Andrew Weavers highlighted that the response received from Colchester Borough Council was in line with other responses received and that any changes to the Code of Conduct would need to be approved by Parliament.

A member of the Committee highlighted the strange position of the Council having to process Parish Council issues, but not have the power to impose any discipline or conditions. It was suggested that Parish Councils be able to undertake their own investigations. In response Andrew Weavers stated that the Localism Act requires Colchester Borough Council by law to undertake the investigations and for the investigations to be at Colchester Borough Councils costs. Colchester Borough Council can only make recommendations back to the Parish Council, which then decides whether to acknowledge the recommendations made.

A member of the Committee suggested that the Committee of Standards in Public Life and Parliament could look more closely at this particular issue.

RESOLVED that:

a) The contents of the Annual Review of the Members' Code of Conduct and the Council's Localism Act Arrangements report be noted.
b) The Members' Code of Conduct and the Council's "Arrangements" be kept under Annual Review

136. **Review of Local Code of Corporate Governance**

Hayley McGrath, Corporate Governance Manager, introduced the Review of Local Code of Corporate Governance report. The report requests that the updated Local Code of Corporate Governance for 2018/19 be reviewed and recommended to Full Council for inclusion in the Council's Policy Framework.

Hayley McGrath provided the Committee with a summary of the report and highlighted that there are no major changes to the document, however the Local Code has been updated to refer to the new Strategic Plan and the Council's commercial company structure.

A member of the Committee asked for further information on principle two of the code of conduct, which highlights that members and officers are working to a common purpose. Hayley McGrath confirmed that the second principle of the code of conduct relates to delivering the first principle of the code. Other Committee members highlighted the development of the Strategic Plan and policies.

RESOLVED;

a) That the Local Code of Corporate Governance for 2018/19 be reviewed.
b) To RECOMMEND to FULL COUNCIL that the Local Code of Corporate Governance be approved for inclusion in the Council's Policy Framework.

137. Review of Member / Officer Protocol

Andrew Weavers, Monitoring Officer, introduced the Review of the Member/Officer Protocol. The report requests that the Member/Officer Protocol be agreed and included in the Council's Constitution.

Andrew Weavers provided the Committee with a summary of the report and highlighted that the protocol provides information on the function and roles of members and officers and provides for good working relationships between members and officers. The protocol is reviewed annually for inclusion in the constitution, which the Governance and Audit Committee can do without referring to Full Council.

Andrew Weavers highlighted the version in the constitution was amended in 2017, to include a revised introduction and reference to the Council's companies. The Member/Officer protocol has been reviewed again this year and is deemed fit for purpose and therefore no further changes are proposed.

A member of the Committee highlighted that they felt that the changes required were brought in last year. A further comment was made by another Committee member that with regard to social media it is important to be mindful about common ground between officers and Councillors, especially where members of the public are criticising officers. The Committee member highlighted the importance of defending officers, but also reporting any issues to supervisors when necessary rather than posting further information online.

RESOLVED that;

a) The Member/Officer Protocol be agreed and included in the Council's Constitution

138. Gifts and Hospitality – Review of Guidance for Councillor and Policy for Employees

Hayley McGrath, Corporate Governance Manager, introduced the Gifts and Hospitality Review of Guidance for Councillors and Policy for Employees report. The report requests that the guidance for Councillors regarding gifts and hospitality be approved and included in the constitution and that the Gifts and Hospitality Policy for Employees also be approved.

Hayley McGrath stated that there are two documents included in the report, one for Councillors and the other for employees, which outline the requirements when receiving gifts and hospitality. Since the previous review last October there have been no changes to the national guidance and no changes are proposed to the two sets of guidance. Hayley McGrath confirmed that the guidance for Councillors forms part of the constitution.

Councillor King highlighted that this policy shows that the Council has suitable checks and balances in place for Councillors and employees. Another member of the Panel echoed the comments from the Portfolio Holder in that there are controls and procedures in place to ensure that decisions are taken correctly.

In response to a question regarding gifts given to the Mayor or Deputy Mayor, Hayley McGrath confirmed that it doesn't go into the Councillors register of interests, instead it is displayed in the Mayoral parlour and recorded in civic records.

RESOLVED that;

a) the Guidance for Councillors regarding Gifts and Hospitality be approved and included in the constitution
b) the Gifts and Hospitality Policy for Employees be approved.

139. Work programme 2018-19

Jonathan Baker, Democratic Services Officer, introduced the Work Programme 2018-19 report. The report is asked to note the contents of the Committees work programme for 2018-19.

Jonathan Baker provided a summary of the upcoming meetings for the Governance and Audit Committee and highlighted that following a request for an item on the Commercial Companies to be brought to a future meeting, that this was likely to be scheduled for March.

RESOLVED that the Work Programme 2018-19 be noted.

140. Treasury Management Strategy

Sean Plummer, Finance Manager, and Margaret Donaldson, Interim Finance Manager attended the meeting to present the Treasury Management Strategy Report. The report requests that the Committee note the report and recommend to Cabinet that no changes are made to the Council's Treasury Management Strategy Statement for 2018/19 and associated practises as a result of the review. The report also informed the Committee that further review will be undertaken as part of the preparation of the 2019/20 Treasury Management Strategy Statement.

Sean Plummer provided the Committee with a summary of the Treasury Management Strategy report and highlighted that the midyear report is required as part of the Treasury Management Governance Arrangements. Sean Plummer stated that the report provides a brief update on the economic forecasts, which include a degree of uncertainty and assume that the UK will have an orderly withdrawal from the EU in March 2019.

Sean Plummer stated that the Council has continued to follow the strategy, maintaining an under borrowed position, and has not gone out to raise any new loans. With regard to the capital position and prudential indicators they were produced in January and have since been revised to show an increase in the capital programme. The reasons behind this increase are included in the report. A further review of the Capital Programme will go to the next Scrutiny Panel meeting.

With regard to financing the capital programme, the Council is not forecasting the level of capital receipts that was originally estimated and this shortfall is being met by capital grants. Sean Plummer highlighted that the overall net borrowing is higher than forecast, requiring temporary borrowing requirements. Sean Plummer also stated that the Council's limits to borrowing activity were proposed to remain unchanged.

Sean Plummer informed the Committee that the Council will consider borrowing in the next few months, with internal borrowing still the cheapest method. Link Asset Services will provide advice on the interest rates, as well as the investments and treasury activities of the Council.

A member of the Committee raised the issue of the UK leaving the EU and noted the difference between the risk identified on the risk register and the financial forecast for an orderly exit from the European Union. Sean Plummer provided clarification that the comment with the report relates to the interest rates forecast for the whole UK economy, which may then have a knock-on impact on government funding and capital costs. The risk register looks at the broader levels of risks for the Council on its activities including areas

like housing projects and other major capital projects on which leaving the EU could have an impact. Sean Plummer highlighted that it is difficult to forecast of model what will happen. Councillor King highlighted that it is not possible to know what the impact of leaving the European Union will be and given these uncertainties a higher risk is associated. It would not be feasible for officers within the Council to make a judgement on the potential impact of leaving the EU at this stage.

A further question was asked about the level of internal reserves and whether this finances part of the capital programme as internal borrowing rather than being spent on services. Sean Plummer stated that with regard to borrowing this is only undertaken when there is a specific need for it and that reserves are in place for a reason and are usually earmarked for certain purposes. In addition, some reserves are held for accounting reasons, including when holding grants that have been received. Officers haven't looked at a link between internal borrowing requirements and reserves, but due to the internal borrowing it does mean that the Council has cash resources that it can use to reduce it's external borrowing need. This is a temporary measure as there is still a requirement to borrow in the long term.

RESOLVED;

a) that the Treasury Management Strategy – Midyear review report 2018-19 be noted.
b) To RECOMMEND to CABINET that no changes are made to the Council's Treasury Management Strategy Statement for 2018/19 and associated practices as a result of the review.

Governance and Audit Committee

Item **7**

7 March 2019

Report of	**Assistant Director of Policy and Corporate**	**Author**	**Margaret Donaldson ☎ 282338**
Title	**Certification of Claims and Returns - External Audit Annual Report 2017/18**		
Wards affected	Not applicable		

1. Executive Summary

1.1 This report summarises the outcome of the External Auditor's certification work on the Council's claims and returns for 2017/18; and highlights any significant issues.

1.2 The Council's external auditors are required to certify two returns for the Council each financial year:

- the Housing Pooling return, and
- the Housing Benefit Subsidy claim.

1.3 The Housing Benefit Subsidy claim totals £53m approximately and the Housing Pooling return includes capital receipts of £4.3M approximately.

1.4 The external auditors Certification of Claims and Returns report for 2017/18 as at December 2018 is included at Appendix A to this report.

2. Recommended Decision

2.1 To note and comment on the contents of the 2017/18 certification claims and returns annual report and qualification letter, issued by the Council's external auditors Ernst & Young(EY).

2.2 To note the subsequent Department for Work and Pensions (DWP) letter of 13 February 2019.

3. Reason for Recommended Decision

3.1 The Accounts and Audit Regulations require the Council to consider this report as part of financial governance in relation to the Statement of Accounts.

4. Alternative Options

4.1 Not applicable.

5. Background Information

5.1 In addition to providing an opinion on the Council's Statement of Accounts for 2017/18, the Council's external auditors are required to audit and certify the following claims:

- the Housing Pooling return, and
- the Housing Benefit Subsidy claim.

5.2 External Audit are required to report to this committee the findings of their audit work. Their report is included at Appendix A.

6. Housing Pooling Return

6.1 The Housing Pooling return audit was undertaken in January 2019, and there has been no changes to the claim because of the audit work undertaken. The return has been certified by the auditors and returned to the Ministry of Housing, Local Government and Communities.

7. Housing Benefit Claim

7.1 The scope and related testing undertaken to certify the claim is detailed at Page 5 of the audit report. The testing involved a sample of 60 cases out of a population of approximately 10,000; with total errors of £1,874 being identified. This was extrapolated over most of the caseload population to establish an adjustment of £280k. Because of errors identified in testing and associated extrapolation, EY have issued a qualification to the claim, as detailed in their letter at Appendix B to the DWP.

7.2 Subsequently, the Council made representation to the DWP. These representations focused on the numbers of cases tested, the rate of error found, and the subsequent extrapolation calculated. The Council considered a more reflective sample of cases could be identified without the need for extrapolation across the headline subsidy cell.

7.3 The DWP have now proposed that that additional testing is undertaken, as detailed at Appendix C. This will require the auditors to conduct further testing under Module X; the estimated audit fees being £4k. The work needs to be undertaken and agreed by 6 May 2019. Upon completion of this work a final decision will be reached by the DWP in respect of the 2017/18 subsidy claim.

7.4 The nature of Housing Benefit subsidy carries inherent risk to an organisation. This is due to the large sums involved and the fact that extrapolation maybe required in any audit process. Quality and Assurance checking is an inherent part of the processing teams' function to try and minimise error and maximise subsidy.

7.5 In respect of the 2018/19 subsidy claim the auditor will be BDO and meetings are scheduled to detail the current position on the 2017/18 claim and to plan the testing regime for the 2018/19 subsidy claim.

7.6 An update on the financial impact as a result of the additional testing will be reported to Scrutiny in June 2019, as part of the 2018/19 Outturn report.

8. Standard References

8.1 There are no references to the Strategic Plan; consultation or publicity considerations or community safety; health and safety, risk management and Equality, Diversity and Human Rights implications.

9. Financial implications

9.1 The fee for the additional audit work is estimated to be £4k and will be funded from within the service budget. The Council has made provision within its balances of £300k to cover the risk of a potential repayment to the DWP.

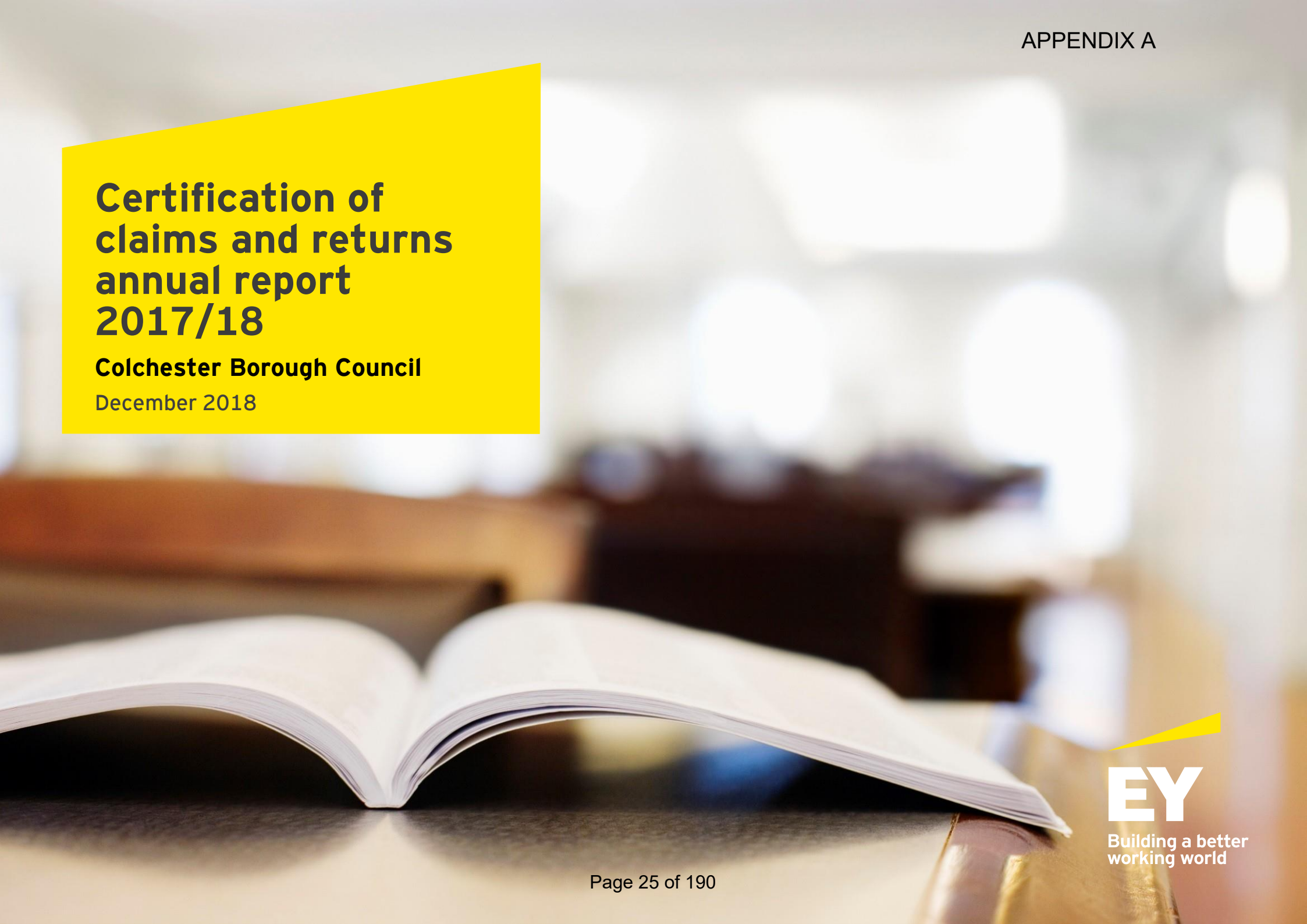
Appendices

Appendix A – Certification of Claims and Returns Annual Report 2017/18.
Appendix B – Ernst & Young qualification letter to DWP in relation to the 2017/18 Housing Subsidy Claim.
Appendix C – DWP letter of 13 February 2019.

Certification of claims and returns annual report 2017/18

Colchester Borough Council

December 2018



Building a better working world

The Members of the Governance and Audit Committee

December 2018

Colchester Borough Council
33 Sheepen Road
Colchester
Essex
CO3 3WG

Dear Governance and Audit Committee Members

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Colchester Borough Council's 2017/18 claims.

Scope of work
Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified reporting accountants to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. For 2017/18, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions.

This report is intended solely for the information and use of the Governance and Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

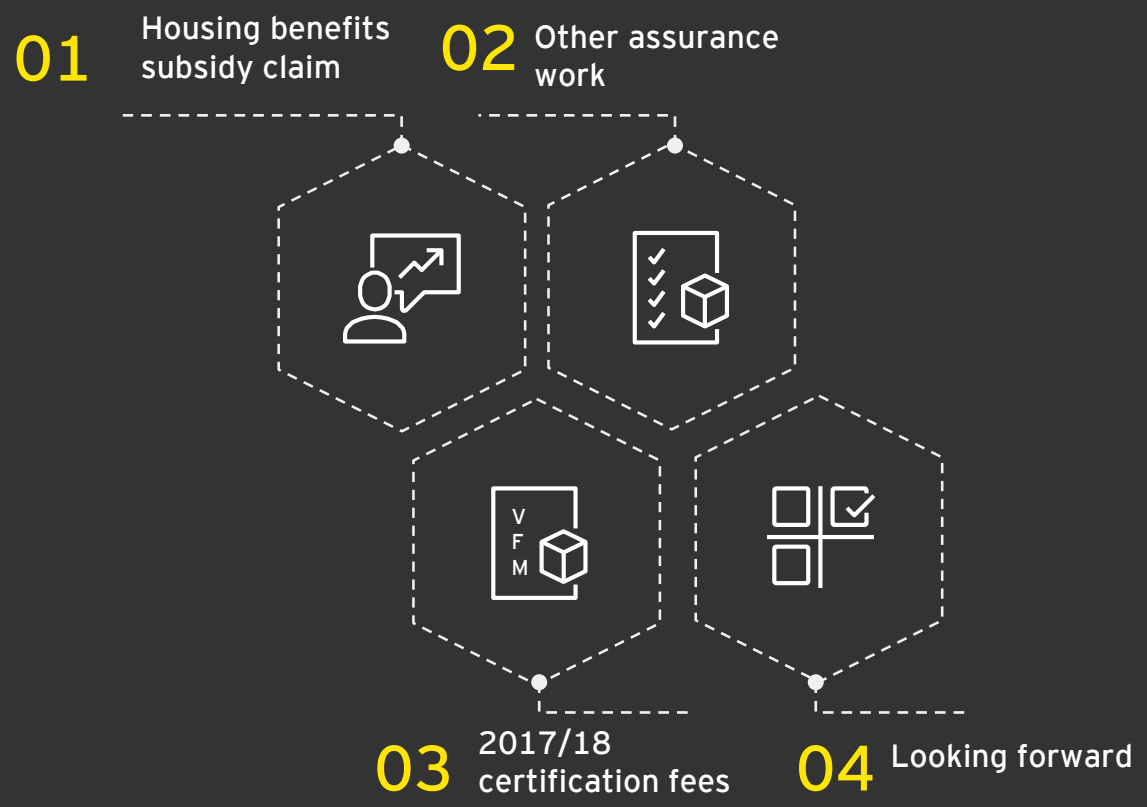
We welcome the opportunity to discuss this report with you on 15 January 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter

For and on behalf of Ernst & Young LLP

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).
The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Governance and Audit Committee and management of Colchester Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance and Audit Committee, and management of Colchester Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance and Audit Committee, and management of Colchester Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Housing benefits subsidy claim

Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£52,961,034
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2017/18	£13,640
Fee – 2016/17	£15,450

Recommendations from 2016/17	Findings in 2017/18
The Council should formally review their risk based verification policy on an annual basis. This was correctly performed during 2017/18.	No specific findings to report. See the results of our testing below.

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires reporting accountants to follow a programme of work specified by DWP.

Detailed case testing is carried out on an initial sample of 20 cases per benefit type.

More extensive '40+' or extended testing is carried out if the initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the certification of previous years claims. We found errors and carried out extended testing in one area – the input and calculation of rent allowance case details.

This 40+ testing resulted in a further three errors. Therefore, we reported the outcome in a qualification letter, with an extrapolated error of £280,250.

There were no errors identified that resulted in an amendment to the claim form.

02 Other assurance work

Other assurance work

During 2017/18 we will also act as reporting accountant in relation to the following scheme:

- Housing pooling return

This work is due to commence in January 2019 when we will provide a separate report to the Council in relation to this return. This work will be undertaken outside the PSAA regime. The proposed fee for this is included in the figures in section 3. They are referred to here to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

03 2017/18 certification fees

2017-18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017/18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) and are available on their website (www.psaa.co.uk).

Claim or return	2017/18	2017/18	2016/17
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	13,640	13,640	15,450
Housing pooling return		4,750	4,750

04 Looking forward

Looking forward

2018/19 and beyond

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

We understand that you have appointed your reporting accountant to undertake the 2018/19 Housing Benefit Assurance Process.

Although we have not been selected to undertake the Housing Benefit Assurance Process for the Council for 2018/19, as the assurance provider to over 160 Local Government bodies, we believe that we are well placed to provide these services to you and can draw on a vast array of experienced and knowledgeable professionals to deliver the quality assurance that Local Government needs in these challenging times.

If you would like us to quote for the future provision of any grant claim work, please contact Mark Hodgson, Government & Public Sector Associate Partner Cambridge, at MHodgson@uk.ey.com who will be happy to discuss your requirements and provide a competitive quotation.

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.
EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2017 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

Building a better working world

Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Tel: 01582 643000
Fax: 01582 643001
www.ey.com/uk

Department for Work and Pensions
Housing Benefit Unit
Room B120D
Warbreck House
Blackpool
Lancashire
FY2 0UZ

28 November 2018

Ref: GPS/CBC/HB/2017-18

Direct line: 023 8038 2159

Email: ksuter@uk.ey.com

Dear Sir / Madam

Colchester Borough Council

Housing benefit subsidy claim for the year ended 31 March 2018 (Form MPF720A)

Qualification Letter referred to in the Auditor's Certificate dated 28 November 2018

Details of the matters giving rise to my qualification of the above claim are set out in the Appendix to this letter.

The factual content of my qualification has been agreed with officers of the Authority.

No amendments have been made to the claim for the issues raised in this qualification letter unless otherwise indicated in the letter.

Yours faithfully

Kevin Suter

Kevin Suter
Associate Partner
For and on behalf of Ernst & Young LLP
United Kingdom

Cc Sean Plummer - Strategic Finance Manager (S151 Officer)

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office. Ernst & Young LLP is a multi-disciplinary practice and is authorised and regulated by the Institute of Chartered Accountants in England and Wales, the Solicitors Regulation Authority and other regulators. Further details can be found at http://www.ey.com/UK/en/Home/Legal

Appendix - Qualification Issues

Cell 011: Non HRA Rent Rebates, Total expenditure
Cell total £650,908
Cell Population 273
Headline Cell £650,908

Testing of the initial sample identified:

- 1 case (total value £1,692.39) had been underpaid due to the claimants pension and NI deductions being incorrectly omitted from the earnings calculation. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy, and thus has not been classified as error for subsidy purposes. Because this error will always result in an underpayment of benefit, additional testing has not been undertaken.

Cell 094: Rent Allowances, Total expenditure
Cell total £37,052,670
Cell Population 8,466
Headline Cell £37,052,670

Testing of the initial sample identified:

- 3 cases (total value £16,361.33) had been underpaid across different periods due to incorrect calculation of income and pensions deductions. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy, and thus has not been classified as error for subsidy purposes; and
- 1 case (total value £820.95) had been overpaid due to the incorrect calculation of the child care costs deduction. The effect of this error is to overstate cell 103 by £456.00, with a corresponding understatement of cell 113. There is no effect on cell 094.

The overpayment error above have been assessed as error type 3 (benefit overpaid or insufficient supporting information) and therefore an additional sample of 40 rent allowance cases has been tested. Testing of the additional random sample of 40 cases identified:

- 1 case (total value £4,754.24) had been underpaid due to incorrect calculation of claimant earnings. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy, and thus has not been classified as error for subsidy purposes;
- 1 case (total value £4,449.94) had been overpaid due to the incorrect calculation of the claimant earnings. The effect of this error is to overstate cell 102 by £1,059.51, with a corresponding understatement of cell 113. There is no effect on cell 094;
- 1 case (total value £1,234.22) had been overpaid due to the incorrect calculation of the claimant partner's earnings. The effect of this error is to overstate cell 102 by £353.50, with a corresponding understatement of cell 113. There is no effect on cell 094; and
- 1 case (total value £2,634.77) had been overpaid due to incorrect application of child tax credits. The effect of this error is to overstate cell 103 by £4.65, with a corresponding understatement of cell 113. There is no effect on cell 094.

The result of my testing is set out in the table below:

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[SP]	[SE]	[SV]	[SE/SV]	[SE/SV times SP]	[RA]
Initial sample – 20 cases	Incorrect assessment of income and pension deductions	£37,052,670	£456	£78,474			
Additional sample – 40 cases	Incorrect assessment of income and pension deductions	£37,052,670	£1,418	£169,248			
Combined sample – 60 cases	**Total overstatement due** Incorrect assessment of income and pension deductions	£37,052,670	£1,874	£247,722	0.76%	£280,250	
Adjustment	Combined sample: Cell 102 overstated	£37,052,670	£1,413		0.57%	£211,349	
Adjustment	Combined sample: Cell 103 overstated	£37,052,670	£461		0.19%	£68,901	
Total corresponding adjustment	**Combined sample: Cell 113 understated**	£37,052,670				£280,250	

The percentage error in our sample reflects the individual cases tested. The values of the error are in the range of £4.65 to £1,059.51 and the benefit periods range from 1 day to 16 weeks. Similar findings have been included in the qualification letter for the last 5 years.

Given the nature of the population and the variation in the errors found it is unlikely that even significant additional work will result in an amendment to the claim form that will allow me to conclude that it is fairly stated.

Department for
Work and Pensions

HB Subsidy Team
Housing Delivery Division
Room B120D
Warbreck House
Blackpool FY2 0UZ

Telephone: 01253 337972

MR JASON GRANGER
CUSTOMER SOLUTIONS MANAGER
COLCHESTER BOROUGH COUNCIL
ROWAN HOUSE
33 SHEEPEN ROAD
COLCHESTER
ESSEX, CO3 3WG

Date: 13 February 2019

Dear Mr Granger,

Housing Benefit
2017/18 Qualified Final Subsidy Claim

Following representations made by Colchester Borough Council to DWP, the DWP agrees to some aspects of the request for Further Work to be carried out in relation to the final subsidy claim for 2017/18. This work is to be completed and the Reporting Accountant's final report delivered to DWP no later than 12 weeks from the date of this letter. If you become aware that this timescale is likely to be missed, you should inform the DWP at the earliest possible opportunity.

The specific tests and checks to be carried out are specified in Part 2 of Appendix 2 to Module X. The detail of the error being tested, the volume of cases to be tested by the Local Authority and the level of re-performance testing to be carried out by a Reporting Accountant are set out in the table overleaf. Please note that you must appoint a Reporting Accountant and agree the format that testing will be recorded in, prior to commencing testing.

The principles for carrying out Further Work, the standard terms of engagement to be used when appointing a Reporting Accountant and the format of the report to be completed by the Reporting Accountant are contained within the DWP's published document "*Housing Benefit (Subsidy) Assurance Process Module X: DWP Reporting Framework Instruction for Further Work*"

By signing this letter, the DWP confirms that the pre-agreed terms contained within Module X and this letter form its agreement with the local authority and the Reporting Accountants.

The accountants' report is submitted to DWP in accordance with the standardised terms in Appendix 2 of Module X. If the terms of the standardised engagement letter are to be revised, DWP will need to confirm its acceptance of the new terms before a new agreement can be formed.

Yours Sincerely,

John Darrell

On behalf of the HB Assurance team

Governance and Audit Committee

Item **8**

7 March 2019

Report of	**Assistant Director of Policy and Corporate**	**Author**	**Margaret Donaldson ☎ 282338**
Title	**Audit Plan year ended 31 March 2019**		
Wards affected	Not Applicable		

1. Executive Summary

1.1 With effect from the audit for the financial year ending 31 March 2019, the Council's appointed external auditor will be BDO LLP (BDO). This is the first draft audit plan proposed to the Council by BDO.

1.2 The Audit Plan for year ending 31 March 2019 summarises the Auditor's assessment of the key financial statement and value for money risks facing the Council, and outlines the planned audit strategy in response to those risks. It covers the work that will enable the Auditor to provide:

- An opinion on whether the Council's financial statements give a true and fair view of the financial position as at 31 March 2019.
- A conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

1.3 The plan, which is attached as an appendix to this report; also sets out the scope and materiality levels for the 2018/19 audit, the associated fees, the audit team and associated independence assessment, and key delivery dates.

1.4 The outcome of the auditors work is expected to be reported to this committee on 30 July 2019.

2. Recommended Decision

2.1 To review and agree the Audit Plan for the year ended 31 March 2019.

3. Reason for Recommended Decision

3.1 The Accounts and Audit Regulations require those charged with governance within the Council to review the proposed audit approach and scope for the 2018/19 audit.

4. Alternative Options

4.1 Not Applicable

5. Standard References

5.1 There are no particular references to the Strategic Plan; consultation or publicity considerations; community safety; health and safety, risk management and Equality, Diversity or Human Rights implications as a result of this report.

6. Financial implications

6.1 The audit plan sets out the external audit fees for 2018/19, which have been included in the Council's budget.

Appendix

Audit Plan for year ended 31 March 2019.

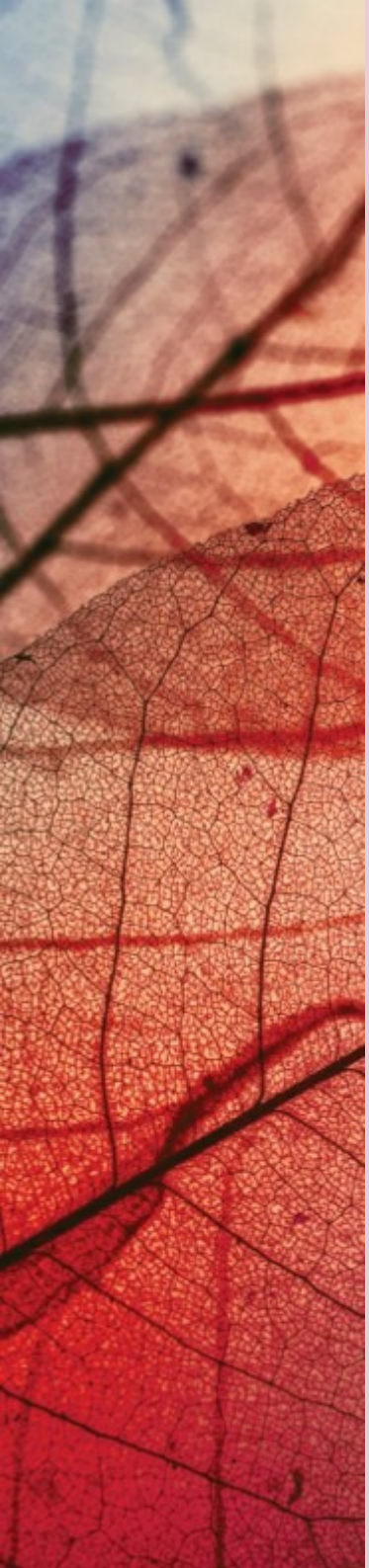
Report to the Governance and Audit Committee

COLCHESTER BOROUGH COUNCIL

Audit Planning: year ending 31 March 2019

IDEAS | PEOPLE | TRUST

BDO



CONTENTS

1	Introduction	3
	Welcome	3
2	Executive summary	4
	Scope and materiality	4
	Audit strategy	5
	Audit risk overview	6
	Independence and fees	7
3	Audit scope and objectives	8
	Overview	8
	Audit scope entities, components and audit risks	9
	Audit timeline	10
	BDO team	11
4	Audit risks - Financial statements	12
	Overview	12
	Management override of controls	13
	Revenue (and expenditure) recognition	14
	Property, Plant & Equipment and investment property valuation	15
	Pension liability valuation	16
	Related party transactions	17
5	Audit risks - Use of resources	18
	Overview	18
	Sustainable resource deployment	19
	Partnership working	20
6	Audit risks - Other matters	21
	Other matters requiring further discussion	21
	Changes to accounting standards	22
	IT general controls	23
7	Independence	24
	Independence	24
8	Fees	25
	Summary	25
9	Appendices contents	26

WELCOME
Introduction

CONTENTS

Introduction
Welcome
Executive summary
Audit scope and objectives
Audit risks - Financial statements
Audit risks - Use of resources
Audit risks - Other matters
Independence
Fees
Appendices contents

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

It summarises the planned audit strategy for the year ending 31 March 2019 in respect of our audit of the financial statements of the Council and consolidated entities (together the 'group') and use of resources; comprising materiality, key audit risks and the planned approach to these, together with timetable and the BDO team.

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

We look forward to discussing this plan with you at the Governance and Audit Committee meeting on 7 March 2019 and to receiving your input on the scope and approach.

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

Zoe Thompson

14 February 2019

Zoe Thompson
Director

t: +44(0)1473 320734
m: +44(0)7912 040905
e: zoe.thompson@bdo.co.uk

Alison Langridge

Senior Audit Manager

t: +44 (0) 1473 320 752
e: alison.langridge@bdo.co.uk

Nicolas Garcia-Miller

Audit Senior

t: +44(0) 1473 32 0709
e: Nicolas.Garcia-Miller@bdo.co.uk

This report has been prepared solely for the use of the Governance and Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

SCOPE AND MATERIALITY

Executive summary

CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risk overview

Independence and fees

Audit scope and objectives

Audit risks - Financial statements

Audit risks - Use of resources

Audit risks - Other matters

Independence

Fees

Appendices contents

This summary provides an overview of the key audit matters that we believe are important to the Governance and Audit Committee in reviewing the planned audit strategy for the Council and the Group for the year ending 31 March 2019.

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

Audit scope

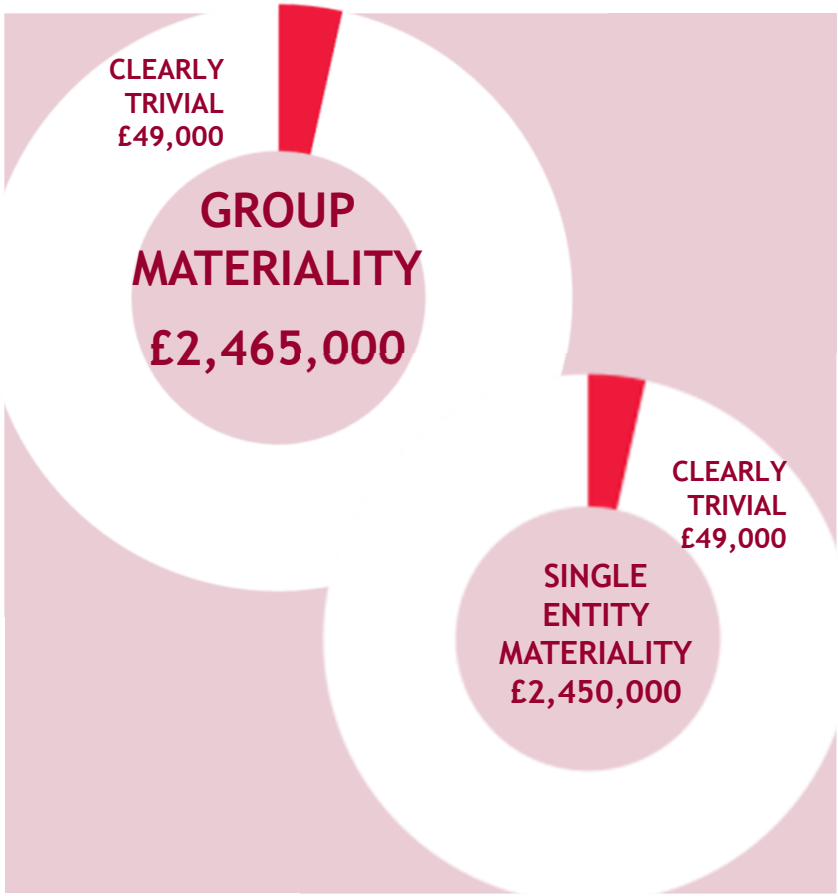
The scope of the audit is determined by the NAO's Code of Audit Practice that sets out what local auditors are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. This includes: auditing the financial statements; reviewing the arrangements to secure value for money through the economic, efficient and effective use of its resources; and, where appropriate, exercising the auditor's wider reporting powers and duties.

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

Materiality

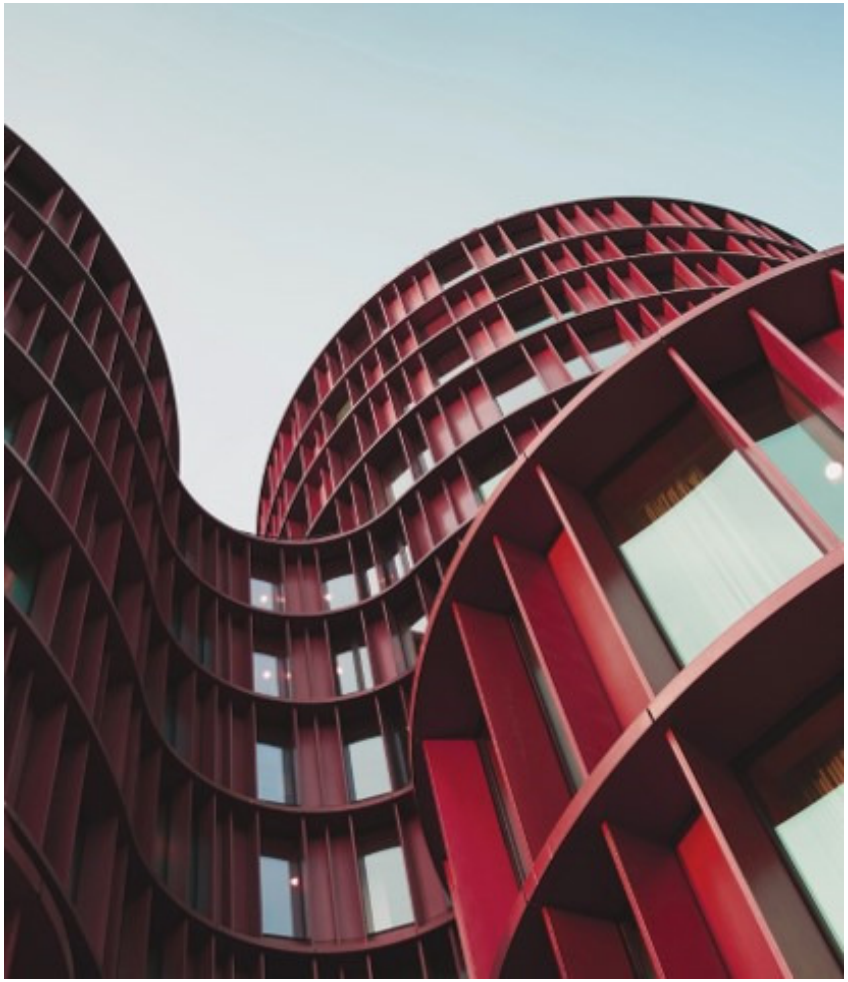
Planning materiality for the Council and the Group will be set at 1.75% of gross expenditure for the year using the prior year gross expenditure figure. This will be revisited when the draft financial statements are received for audit.

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



AUDIT STRATEGY
Executive summary

CONTENTS
Introduction
Executive summary
Scope and materiality
Audit strategy
Audit risk overview
Independence and fees
Audit scope and objectives
Audit risks - Financial statements
Audit risks - Use of resources
Audit risks - Other matters
Independence
Fees
Appendices contents



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

Our starting point is to document/update our understanding of the Group, Authority and other component entities' businesses and the specific risks it faces. We review the predecessor auditor's prior year audit file and we discuss with management any changes to the business and management's own view of potential audit risk, to gain an understanding of the Group and the Authority's activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements, group-wide controls, consolidation process, and that proper accounting records have been maintained.

A lower level of materiality is applied to the areas of the financial statements that are considered to be sensitive, such as senior management remuneration disclosures, auditor's remuneration disclosures and related party disclosures.

We then carry out our audit procedures in response to audit risks.

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

AUDIT RISK OVERVIEW

Executive summary

CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risk overview

Independence and fees

Audit scope and objectives

Audit risks - Financial statements

Audit risks - Use of resources

Audit risks - Other matters

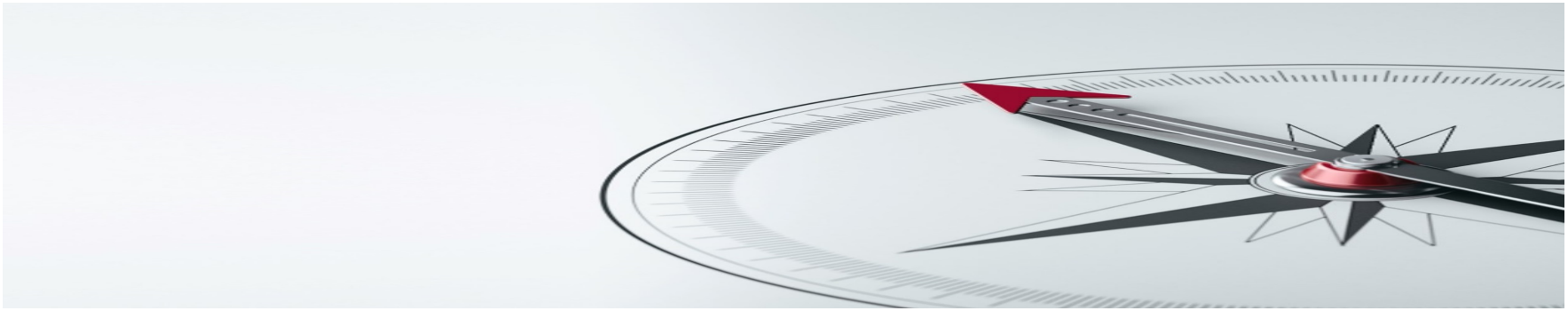
Independence

Fees

Appendices contents

Risk identified - Financial statements	Risk rating	Fraud risk present	Testing approach	Impact of significant judgements and estimates
Management override of controls	Significant	Yes	Substantive	Medium
Revenue recognition	Significant	Yes	Substantive	Medium
Property, Plant & Equipment and Investment Property valuation	Significant	No	Substantive	High
Pension liability valuation	Significant	No	Substantive	High
Related party transactions	Normal	No	Substantive	Low

Risk identified - Use of resources			
Sustainable resource deployment	Significant	Detailed review	N/A
Partnership working in relation to North Essex Garden Communities Ltd	Normal	Review	N/A



INDEPENDENCE AND FEES

Executive summary

CONTENTS

Introduction

Executive summary

Scope and materiality

Audit strategy

Audit risk overview

Independence and fees

Audit scope and objectives

Audit risks - Financial statements

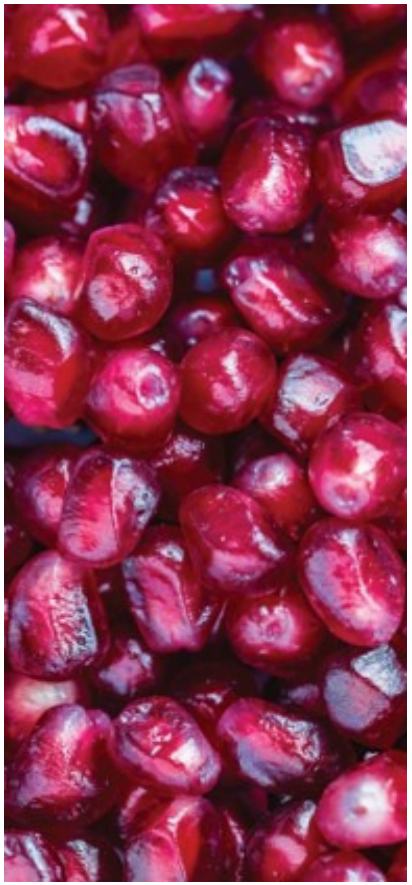
Audit risks - Use of resources

Audit risks - Other matters

Independence

Fees

Appendices contents



Independence

We confirm that the firm complies with the Financial Reporting Council's Ethical Standard for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

Fees

	2018/19 £
Code audit fees	48,188
Total audit fees	**48,188**
Non audit fees	
- Housing Benefit Subsidy certification	13,640
- Pooling Housing Capital Receipts return certification	4,750
Non audit fees	**18,390**
Total fees	66,578

Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the Council.

Where this requires a variation to the scale fee set by PSAA we will seek approval from PSAA. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Governance and Audit Committee. At this stage, nothing has come to our attention that would require us to seek approval to amend the scale fee.

OVERVIEW

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Overview
Audit scope entities, components and audit risks
Audit timeline
BDO team
Audit risks – Financial statements
Audit risks – Use of resources
Audit risks – Other matters
Independence
Fees
Appendices contents

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

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

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

Reporting	Objectives
Auditing standards	We will perform our audit in accordance with International Standards on Auditing UK (ISAs (UK)) and relevant guidance published by the NAO.
Financial statements	We will express an opinion on the Council and Group financial statements, prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting 2018/19 and other directions.
Statement of Accounts	In addition to our objectives regarding the financial statements, we will also read and consider the other information contained in the Statement of Accounts to consider whether there is a material inconsistency between the other information and the financial statements or other information and our knowledge obtained during the audit.
Use of resources	We will report whether we consider that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
Additional powers and duties	Where necessary we may be required to: issue a report in the public interest; make a written recommendation to the Council; allow local electors to raise questions and objections on the accounts; or exercise legal powers to apply to the courts for a declaration that an item of account is contrary to law, issue an advisory notice or an application for a judicial review.
Report to the Governance and Audit Committee	Prior to the approval of the financial statements, we will discuss our significant findings with the Governance and Audit Committee. We will highlight key accounting and audit issues as well as internal control findings and any other significant matters arising from the audit.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Overview
Audit scope entities, components and audit risks
Audit timeline
BDO team
Audit risks - Financial statements
Audit risks - Use of resources
Audit risks - Other matters
Independence
Fees
Appendices contents

AUDIT SCOPE ENTITIES, COMPONENTS AND AUDIT RISKS

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

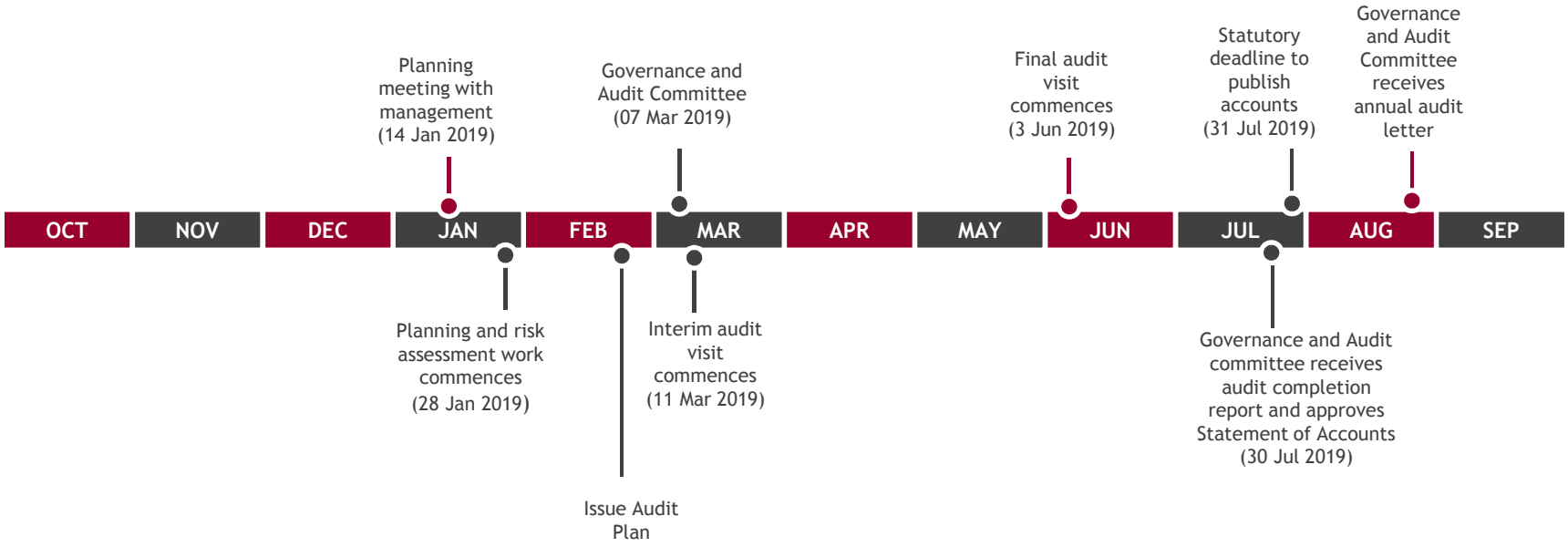
We will seek confirmation from management that component entities not previously included in the group financial statements as immaterial remain immaterial for 2018/19. This assessment is currently on-going and will be finalised in March 2019 prior to the commencement of the financial statements audit.

Entity	Nature of Operations	Audit classification	Reason for classification	Audit Risks	Component Materiality	Audit strategy
Colchester Borough Homes Ltd	Provision of housing on behalf of the local authority. (Arms Length Management Organisation 100% owned by the Council)	Significant	Size and Risk	N/A	TBC	Audit of the financial information using component materiality.
Colchester Community Stadium Ltd	Responsible for the effective running of the entire Community Stadium. (100% owned by the Council)	Non-significant component	N/A	N/A		Analytical review at group level of the financial information and other specified procedures.
Colchester commercial (Holdings) Ltd	To enable Colchester Borough Council to operate its direct trading services and development functions within a more commercial culture and environment to address the challenges of ongoing Council-wide budget reductions. (100% owned by the Council)	Non-significant component	N/A	N/A		Desktop review to confirm below threshold levels. The Council excludes this component in the group financial statements as it does not make a material difference to the reader of the financial statements.
North Essex Garden Communities Ltd	The purpose of the Company is to hold shares in each of the three Local Delivery Vehicles (LDV's), to coordinate funding of the LDV's and to oversee and hold to account the LDV's in the development of three potential garden communities in the area of North Essex. (25% owned by the Council, equal ownership with Essex County Council, Tendring District Council and Braintree District Council)	Non-significant component	N/A	N/A		Desktop review to confirm below threshold levels. The Council excludes this component in the group financial statements as it does not make a material difference to the reader of the financial statements.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Overview
Audit scope entities, components and audit risks
Audit timeline
BDO team
Audit risks - Financial statements
Audit risks - Use of resources
Audit risks - Other matters
Independence
Fees
Appendices contents

AUDIT TIMELINE

An overview of the key dates



CONTENTS
Introduction
Executive summary
Audit scope and objectives
Overview
Audit scope entities, components and audit risks
Audit timeline
BDO team
Audit risks - Financial statements
Audit risks - Use of resources
Audit risks - Other matters
Independence
Fees
Appendices contents

BDO TEAM

Team responsibilities

Zoe Thompson
Director

t: +44(0)1473 320734
m: +44(0)7912 040905
e: zoe.thompson@bdo.co.uk

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

I am responsible for the overall quality of the engagement and am supported by the rest of the team as set out here.

Alison Langridge
Senior Audit Manager

t: +44 (0) 1473 320 752
e: alison.langridge@bdo.co.uk

I will lead on the audit of the Council.

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

Nicolas Garcia-Miller
Audit Senior

t: +44(0) 1473 32 0709
e: Nicolas.Garcia-Miller@bdo.co.uk

I will be responsible for the day-to-day supervision of the audit team, and will be responsible for the delivery of the key audit work.

OVERVIEW

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

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks – Financial statements
Overview
Management override of controls
Revenue (and expenditure) recognition
Property, Plant & Equipment and investment property valuation
Pension liability valuation
Related party transactions
Audit risks – Use of resources
Audit risks – Other matters
Independence
Fees
Appendices contents

Description of risk	Significant risk	Normal risk	Overview of risk
1. Management override of controls	■		ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
2. Revenue recognition	■		Auditing standards presumes that revenue recognition presents a fraud risk. This risk is in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES) and fees and charges.
3. Property, Plant & Equipment and Investment Property valuation	■		There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year-end.
4. Pension liability valuation	■		There is a risk the valuation is not based on appropriate membership data where there are significant changes or uses inappropriate assumptions to value the liability.
5. Related party transactions		■	There is a risk that related party disclosures are not complete and in accordance with the Code of Practice on Local Authority Accounting requirements.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks - Financial statements
Overview
Management override of controls
Revenue (and expenditure) recognition
Property, Plant & Equipment and investment property valuation
Pension liability valuation
Related party transactions
Audit risks - Use of resources
Audit risks - Other matters
Independence
Fees
Appendices contents

MANAGEMENT OVERRIDE OF CONTROLS

ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud.

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

Risk detail

ISA (UK) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant in all entities.

Planned audit approach

Our audit procedures will include the following:

- Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We will determine key risk characteristics to filter the population of journals. We will use our IT team to assist with the journal extraction;
- Review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks - Financial statements
Overview
Management override of controls
Revenue (and expenditure) recognition
Property, Plant & Equipment and investment property valuation
Pension liability valuation
Related party transactions
Audit risks - Use of resources
Audit risks - Other matters
Independence
Fees
Appendices contents

REVENUE RECOGNITION

Under auditing standards there is a presumption that income recognition presents a fraud risk.

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

Risk detail

In particular, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES) and fees and charges.

Planned audit approach

Our audit procedures will include the following:

- Test an increased sample of grants included in income to documentation from grant paying bodies and check whether recognition criteria have been met; and
- Test an increased sample of fees and charges to ensure they have been recorded in the correct period and to ensure that all income that should have been recorded has been recognised.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks - Financial statements
Overview
Management override of controls
Revenue (and expenditure) recognition
Property, Plant & Equipment and investment property valuation
Pension liability valuation
Related party transactions
Audit risks - Use of resources
Audit risks - Other matters
Independence
Fees
Appendices contents

PROPERTY, PLANT & EQUIPMENT AND INVESTMENT PROPERTY VALUATION

There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on significant assumptions.

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

Risk detail

Local authorities are required to ensure that the carrying value of property, plant and equipment (PPE) is not materially different to the current value or fair value (as applicable) at the balance sheet date. PPE values are subject to valuation changes and material judgemental inputs and estimation techniques.

The Code requires management to carry out a full valuation of its land and buildings on a periodic basis (at least every 5 years). In the intervening years, management is required to assess whether there has been a material change in the value of its assets that should be accounted for.

As part of the 5 year rolling re-valuation programme, approximately 20% of the land and buildings assets have been re-valued in 2018/19.

The Authority uses an external valuer to perform the valuation assessment.

Planned audit approach

Our audit procedures will include the following:

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

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks - Financial statements
Overview
Management override of controls
Revenue (and expenditure) recognition
Property, Plant & Equipment and investment property valuation
Pension liability valuation
Related party transactions
Audit risks - Use of resources
Audit risks - Other matters
Independence
Fees
Appendices contents

PENSION LIABILITY VALUATION

There is a risk the membership data and cash flows used by the actuary in the roll-forward valuation may not be correct, or the valuation uses inappropriate assumptions to value the liability.

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

Risk detail

The net pension liability comprises the Council's share of the market value of assets held in the pension fund and the estimated future liability to pay pensions.

An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2016 triennial valuation exercise, updated at 31 March 2019 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk the valuation is not based on appropriate membership data, where there are significant changes, or uses inappropriate assumptions to value the liability.

Planned audit approach

Our audit procedures will include the following:

- Agree the disclosures to the information provided by the pension fund actuary;
- Review the competence of the management expert (actuary);
- Review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data;
- Review the controls for providing accurate membership data to the actuary;
- Contact the administering authority and request confirmation of the controls in place for providing accurate membership data to the actuary and testing of that data; and
- Check that any significant changes in membership data have been communicated to the actuary.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks - Financial statements
Overview
Management override of controls
Revenue (and expenditure) recognition
Property, Plant & Equipment and investment property valuation
Pension liability valuation
Related party transactions
Audit risks - Use of resources
Audit risks - Other matters
Independence
Fees
Appendices contents

RELATED PARTY TRANSACTIONS

There is a risk that related party disclosures are not complete and in accordance with the Code of Practice on Local Authority Accounting 2018/19 requirements.

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

Risk detail

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

There is a risk that related party disclosures are not complete and in accordance with the Code of Practice on Local Authority Accounting requirements.

Planned audit approach

Our audit procedures will include the following:

- Review management processes and controls to identify and disclose related party transactions;
- Review relevant information concerning any such identified transactions;
- Discuss with management and review councillors' and management declarations to ensure that there are no potential related party transactions which have not been disclosed; and
- Undertake Companies House searches for potential undisclosed interests.

OVERVIEW

We have assessed the following as use of resources audit risks. These are the matters assessed as most likely to impact on our use of resources conclusion and include those that will have the greatest effect on audit strategy, the allocation of audit resources and the amount of audit focus by the engagement team.

Description of risk	Significant risk	Normal risk	Overview of risk
6. Sustainable resource deployment			The update to the Medium Term Financial Forecast (MTFF) to 2021/22 has forecast further reductions in Government core grant funding. The Council has a track record of successfully achieving savings plans in previous years, largely from its commercialisation agenda. A balanced budget was set for 2018/19, however a cumulative budget gap of £2.3 million is forecast over the MTFF period.
7. Partnership working in relation to North Essex Garden Communities Ltd			North Essex Garden Communities Limited was established to promote, plan and deliver sustainable strategic growth over the long term for North Essex with Braintree, Tendring and Essex County Councils. It is an ambitious project that carries a number of risks in relation to governance, finance and reputation for the authorities involved.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks - Financial statements
Audit risks - Use of resources
Overview
Sustainable resource deployment
PARTNERSHIP WORKING
Audit risks - Other matters
Independence
Fees
Appendices contents

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks - Financial statements
Audit risks - Use of resources
Overview
Sustainable resource deployment
Partnership working
Audit risks - Other matters
Independence
Fees
Appendices contents

SUSTAINABLE RESOURCE DEPLOYMENT

The Council will need to deliver significant savings to maintain financial sustainability in the medium term and there is a risk that these savings may not be delivered.

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

Risk detail

In January 2018, the Council set a Medium Term Financial Forecast (MTFF) covering the period 2018/19 to 2021/22. The MTFF for this period identified a total cumulative budget gap of £2.6 million.

The Council identified savings plans amounting to £2.8m in order to achieve a balanced budget in 2018/19 and in 2019/20 the required level of savings is £1.5m. The savings targets are significant and achievement of these represents a significant challenge for the Council.

Planned audit approach

Our audit procedures will include the following:

- Review the assumptions used in the Medium Term Financial Forecast, particularly around the likely levels of income from commercial activities;
- Review the Council's capital and revenue planning for future capital projects and investments;
- Monitor the delivery of the budgeted savings in 2018/19 and the plans to deliver identified savings for 2019/20;
- Sample a number of savings schemes and plans; and
- Hold interviews with key officers.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks - Financial statements
Audit risks - Use of resources
Overview
Sustainable resource deployment
Partnership working
Audit risks - Other matters
Independence
Fees
Appendices contents

PARTNERSHIP WORKING

North Essex Garden Communities Limited was established to promote, plan and deliver sustainable strategic growth over the long term for North Essex with Braintree, Tendring and Essex County Councils.

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

Risk detail

The delivery vehicle chosen to deliver the Councils shared ambition seeks to provide housing, employment and infrastructure to support the long term sustainable strategic growth of the North Essex area. There is an interim business plan for 2018/19 with a longer term business plan due to be presented to the Councils during 2019. The ambition carries a number of risks in relation to governance, finance and reputation for the local authorities involved.

Planned audit approach

We will undertake the following:

- hold interviews with key officers;
- review the governance arrangements surrounding the arrangement; and
- review the latest Business Plan.

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks - Financial statements
Audit risks - Use of resources
Audit risks - Other matters
Other matters requiring further discussion
Changes to accounting standards
IT general controls
Independence
Fees
Appendices contents

OTHER MATTERS REQUIRING FURTHER DISCUSSION

Fraud

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

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

Predecessor auditors

We will review the work performed by the predecessor auditor. We will perform additional audit procedures on the comparatives if we conclude that sufficient reliance can not be placed on the predecessor auditor's work.

Significant estimates

We will report to you on significant estimates.

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

Internal audit

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

We plan to review the audit work of the Group's internal audit function and anticipate that we will be able to place reliance on their work in respect of their assessment of some control processes. If as a result of our review, we conclude that reliance is not possible, we will report this to you and also perform alternative procedures.

Laws and regulations

We will consider compliance with laws and regulations. These include VAT legislation and Employment Taxes. We will make enquiries of Management and review correspondence with the relevant authorities. Specialist teams within BDO will review VAT and employment tax compliance.

Accounting policies

We will report to you on significant qualitative aspects of your chosen accounting policies. We will consider the consistency and application of the policies and we will report to you where accounting policies are inconsistent with the CIPFA code under the circumstances.

Financial statement disclosures

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

Any other matters

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

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks - Financial statements
Audit risks - Use of resources
Audit risks - Other matters
Other matters requiring further discussion
Changes to accounting standards
IT general controls
Independence
Fees
Appendices contents

CHANGES TO ACCOUNTING STANDARDS

Classification and measurement of financial instruments (IFRS 9)

- IFRS 9 financial instruments has been implemented for 2018/19 and requires all relevant financial instrument assets (principally investments and loans provided to others) and liabilities (principally borrowing) to be categorised under new criteria based on their business model and contractual cash flows that will determine their classification and basis of valuation.
- CIPFA has published guidance to assist with the required review and any restatement required where the classification needs to be amended.
- The Council will need to undertake a review of all relevant assets and liabilities to determine the appropriate classification in the financial statements. This will need to include both the Council and component entities in the Group financial statements with particular focus on those components who report under UK GAAP, rather than IFRS, as this new accounting standard has not yet been adopted into UK GAAP. There is a risk that relevant financial assets and liabilities are not classified and measured in accordance with the new accounting standard. There is also the risk that components who report under UK GAAP may be consolidated into the Group financial statements without the required adjustments to ensure the Group financial statements comply with the requirement of the new standard.

Revenue from contracts with customers (IFRS 15)

- IFRS 15 revenue from contracts with customers has been implemented for 2018/19 and requires all relevant revenue streams to be reviewed under a new '5-step model' to determine the appropriate point at which revenue can be recognised.
- CIPFA has published guidance to assist with the required review including what revenue falls within IFRS 15 or IPSAS 23 revenue from non-exchange transactions, and the process for determining the correct recognition points and amounts for revenue.
- The Council will need to undertake a review of all relevant revenue streams to determine the appropriate recognition date and amounts in the financial statements. This will need to include both the Council and component entities in the Group financial statements with particular focus on those components who report under UK GAAP, rather than IFRS, as this new accounting standard has not yet been adopted into UK GAAP. There is a risk that relevant revenue streams are not recognised in the financial statements in accordance with the new standard. There is also the risk that components who report under UK GAAP may be consolidated into the Group financial statements without the required adjustments to ensure the Group financial statements comply with the requirement of the new standard.

Impact on our audit

- From our initial discussions with management, and managements view, it seems unlikely that these changes will lead to a material restatement for the Council, as the projected impact is immaterial this has not been considered as a risk for the purpose of our audit at this stage, but substantive testing will be carried out over the disclosures to ensure that they satisfy the requirements.

IT GENERAL CONTROLS

CONTENTS

Introduction

Executive summary

Audit scope and objectives

Audit risks - Financial statements

Audit risks - Use of resources

Audit risks - Other matters

Other matters requiring further discussion

Changes to accounting standards

IT general controls

Independence

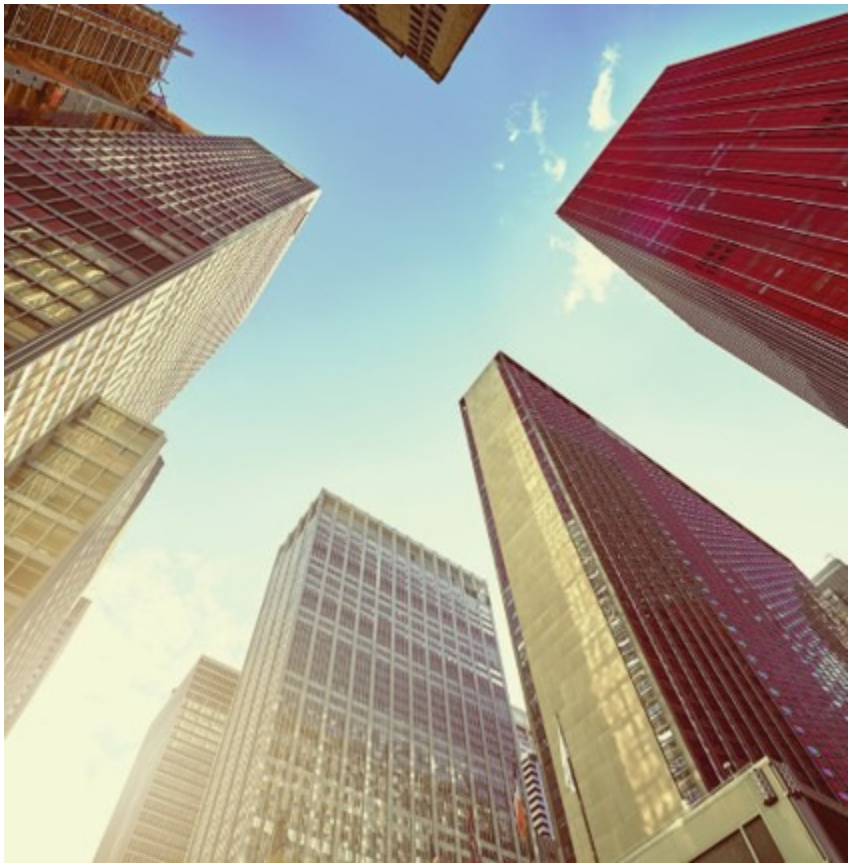
Fees

Appendices contents

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

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

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



INDEPENDENCE

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks - Financial statements
Audit risks - Use of resources
Audit risks - Other matters
Independence
Independence
Fees
Appendices contents

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

We have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. Our internal procedures require that audit engagement partners are made aware of any matters which may reasonably be thought to bear on the integrity, objectivity or independence of the firm, the members of the engagement team or others who are in a position to influence the outcome of the engagement. This document considers such matters in the context of our audit for the year ending 31 March 2019.

It has been brought to our attention that a junior member of staff within the department has a family member that works for the Council, as a safeguard this member of staff is prohibited from being a part of the engagement team at any time.

We have not identified any other relationships or threats that may reasonably be thought to bear on our objectivity and independence.

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

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

Details of rotation arrangements for key members of the audit team and others involved in the engagement are set out in the appendices.

Details of other threats and safeguards applied are given in the appendices.

Non-audit services

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

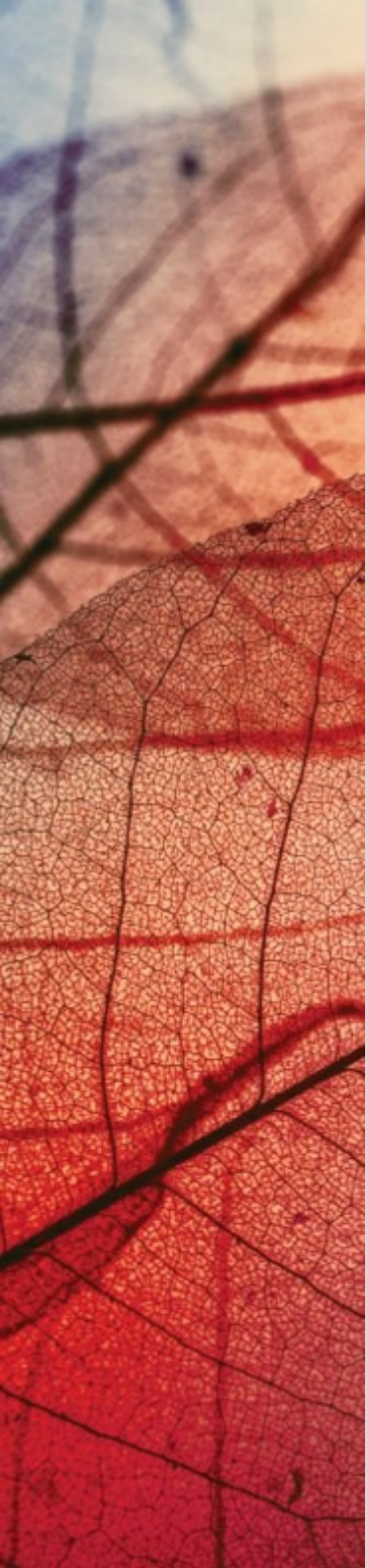
Should you have any comments or queries regarding any independence matters we would welcome their discussion in more detail.

SUMMARY

Fees summary for year ending 31 March 2019

	2018/19 £
Code audit fees	**48,188**
Total audit fees	**48,188**
Non audit fees	
- Housing Benefit Subsidy certification	13,640
- Pooling Housing Capital Receipts return certification	4,750
Non audit fees	**18,390**
Total fees	**66,578**

CONTENTS
Introduction
Executive summary
Audit scope and objectives
Audit risks - Financial statements
Audit risks - Use of resources
Audit risks - Other matters
Independence
Fees
Summary
Appendices contents



APPENDICES CONTENTS

A	Responsibilities	27
	Council's responsibilities	27
	Our responsibilities	28
	Communication with you	29
B	Independence	30
	Team Member rotation	30
C	Materiality	31
	Materiality: Definition and application	31
	Materiality: Definition and application	32
D	Audit quality	33
	Audit quality	33

COUNCIL'S RESPONSIBILITIES

The Council's Responsibilities and Reporting

CONTENTS
Appendices contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
Audit quality

Financial reporting

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

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

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

The Section 151 Officer is responsible for preparing and filing a Statement of Accounts and financial statements which shows a true and fair view in accordance with CIPFA Code of Practice on Local Authority Accounting 2018/19, applicable accounting standards or other direction under the circumstances.

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

Use of resources

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

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

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

OUR RESPONSIBILITIES

Responsibilities and reporting

CONTENTS

Appendices contents

Responsibilities

Our responsibilities

Communication with you

Independence

Materiality

Materiality: Definition and application

Audit quality

Our responsibilities and reporting – financial statements

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

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

Our responsibilities and reporting – use of resources

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

This means that we have regard to relevant guidance issued by the NAO and undertake sufficient work to be able to satisfy ourselves as to whether the Council has put arrangements in place that support the achievement of value for money.

What we don't report

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

COMMUNICATION WITH YOU

CONTENTS
Appendices contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
Audit quality

Those charged with governance

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

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

Communication, Meetings and Feedback

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

Planning Report

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

Internal Controls

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

Audit Completion Report

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

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

TEAM MEMBER ROTATION

CONTENTS
Appendices contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
Audit quality

These tables indicate the latest rotation periods normally permitted under the independence rules for the terms of appointment by PSAA.

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

We have identified one staff member who has family employed by the Council. Appropriate action has been taken to implement safeguards to ensure there is no threat to independence.

Independence - engagement team rotation

Senior team members	Number of years involved	Rotation to take place before
Zoe Thompson Engagement Lead	1	5 years (last year will be 2022/23)
Alison Langridge Audit Manager	1	7 years

MATERIALITY: DEFINITION AND APPLICATION

CONTENTS
Appendices contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
Audit quality

Concept and definition

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

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

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

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

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

Calculation and determination

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

We determine materiality in order to:

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

Reassessment of materiality

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

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

MATERIALITY: DEFINITION AND APPLICATION

CONTENTS
Appendices contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
Audit quality

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

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

Unadjusted errors

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

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

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

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

AUDIT QUALITY

CONTENTS
Appendices contents
Responsibilities
Our responsibilities
Communication with you
Independence
Materiality
Materiality: Definition and application
Audit quality

BDO's audit quality cornerstones underpin the firm's definition of audit quality.

BDO is committed to audit quality. It is a standing item on the agenda of the Leadership Team, who in conjunction with the Audit Stream Executive, monitors the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. We welcome feedback from external bodies and are committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external regulators, the firm undertakes a thorough annual internal Audit Quality Assurance Review and as a member firm of BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest entities.

More details can be found in our Transparency Report at www.bdo.co.uk

FOR MORE INFORMATION:

Zoe Thompson

t: +44(0)1473 320734
m: +44(0)7912 040905
e: zoe.thompson@bdo.co.uk

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 organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

© 2019 BDO LLP. All rights reserved.

www.bdo.co.uk

Governance & Audit Committee

Item **9**

7 March 2019

Report of	**Assistant Director Policy and Corporate**	**Author**	**Margaret Donaldson ☎ 282338**
Title	**Capital Expenditure Monitor 2018/19 – April to December 2018**		
Wards affected	Not applicable		

1 Executive Summary

1.1 The Council's capital programme includes capital expenditure in relation to the delivery of General Fund services, as well as in respect of the Housing investment Programme, including expenditure on housing stock. The programme also includes capital schemes which form part of the Revolving Investment Fund (RIF).

1.2 In line with the Council's Financial Regulations, a review of the schemes included in the capital programme is required on a quarterly basis.

2 Action Required

2.1 To review the progress of the schemes included in the capital programme, the associated spend for the first nine months of the financial year, the budget forecasts for 2018/19 and future years and the RAG rating for each scheme as defined by the relevant project manager.

3 Reason for Scrutiny

3.1 Monitoring the capital programme is important to ensure that:

- spending on projects are within agreed scheme budgets,
- projects are delivered to the required level to support service delivery objectives within the designated budget,
- the Council maximises its available capital resources and ensures public funds are invested effectively, supporting the Council's various financial strategies and associated statutory requirements; and
- Members have assurance that the key risks associated with the capital programme are being managed to ensure efficient and effective delivery of the programme.

3.2 This report also gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets and project delivery progress and outcomes.

4 Background Information

4.1 The Council's capital programme for 2018/19 and future years was approved by Council on the 21 February 2018, as part of the Council's consideration of the 2018/19 budget and Medium-Term Financial Strategy. In line with the Council's Financial Regulations, progress on the approved programme is required to be reviewed on a quarterly basis.

4.2 This quarterly review is especially important as it provides sufficient time for remedial action to be taken both in the approach to the end of the financial year and to inform the capital programme financial planning for future years.

4.3 It should be noted that the capital programme mainly consists of schemes where spending is planned across a number of years. Financial variances can occur as a result of:

- reprofiling scheme budgets into the following financial year to reflect scheme progress on site;
- reprofiling scheme budgets to reflect changes in the timing of payments; and
- the need for additional budget due to changes in the nature of the scheme or unforeseen costs.

4.4 Any significant variances from planned financial and non-financial activity is reported to the Committee in the following paragraphs.

5 Quarterly Capital Monitoring Position

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

	Total Prog.	2018/19 Spend Qtr 3	2018/19 Forecast	Future Years Forecast	(Surplus) / Shortfall
Service / Scheme	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Communities	11,004	761	1,943	9,061	0
Environment	6,391	69	2,342	4,049	0
Policy & Corporate	45,870	2,258	6,790	39,080	0
Revolving Investment Fund (RIF)	36,510	4,834	7,861	28,649	0
Completed Schemes	231	81	231	0	0
Housing Revenue Account	12,808	5,934	11,708	1,100	0
Total Capital Programme	**112,814**	**13,937**	**30,875**	**81,939**	**0**

5.2 Accrued capital expenditure for the first nine months of the financial year totalled £13.937m. This represents 45.1% of the projected capital programme spend for 2018/19. This compares to 52% for the same period in 2017/18.

5.3. A forecast net overspend of £7k was reported to Scrutiny Panel on 27 November 2018. This was in turn referred to Cabinet in January 2019 and has been addressed. No over/underspends are forecast at Quarter 3.

5.4. **Appendix A** sets out the full capital programme, with the associated expenditure for the period under review and budget forecasts.

5.5. Since the Quarter 2 review of the programme by Scrutiny Panel in November 2018, the Programme has increased by £2.809m, the material changes are detailed below:

- Colchester Northern Gateway Sports Hub – increased funding of £1.28m agreed by Cabinet on 21 November 2018;
- Waste Review Vehicles – increased funding of £912.2k to reflect the replacement of 34 vehicles for refuse and street cleaning services.
- Mercury Theatre Project – increased external funding of £978k; and
- RIF budgets - Net reduction of £772.5k agreed by RIF Committee on 16 January 2019.

5.6. Full details of the changes are reported at **Appendix B**.

5.7. A significant element of the capital programme comprises either financial support to the Council's recently formed companies or schemes in progress through the Revolving Investment Fund. These schemes bring with them a complex mix of funding and development management considerations as well as involving a number of external partners to deliver the required outcomes.

5.8. The schemes result in different risks compared to traditional capital expenditure schemes. Funding arrangements can take time to put in place and can be more volatile in the short to medium term; which could result in temporary council funding to fill the short-term gap. Expenditure can be the responsibility of a number of organisations, resulting in complex accounting, management and governance arrangements.

5.9. To ensure that these issues affecting the capital programme are reported and considered promptly, this report includes commentary from project managers on the most significant areas of planned expenditure, **Appendix C** and schemes classified as 'Red' or 'Amber' in the RAG rating index **Appendix D**. For the reporting period no schemes have been classified as 'Red' under the RAG rating evaluation.

5.10. The Council uses a process of RAG rating to identify and report associated risks for individual capital schemes; with 'Green' indicating the scheme is on progress, 'Amber' indicating action required to bring the scheme back on track and 'Red' highlighting a material change to the scheme arrangements being required. As the financial year end approaches project managers were asked to reassess each schemes RAG status and consider the level of planned expenditure to be undertaken by the end of the financial year. The impact on the following three years capital programme will be reported as part of the 2018/18 capital outturn report.

5.11. A further review this quarter has resulted in one RIF scheme changing from 'Amber' to 'Green' and one scheme changing from 'Red' to 'Green'. The following table details the changes and the accompanying project managers comments:

Scheme	Total Scheme Forecast £'000	2018/19 Q3 RAG Rating	2018/19 Q2 RAG Rating	Comments
Digital Strategy Feasibility	183	Green	Amber	£3.5m external funding now secured.
Sheepen Road Phase 2	2,204	Green	Red	Additional funding allocated by RIF Committee.
CMP Phase 3 – PV Panels	95	Green	Amber	Funding allocated to providing PV Panels on the new Production Block at the Mercury Theatre.
Jacks – St Nicholas St	337	Amber	Green	There is a need to carry out further structural studies which may impact on the timescales and cost of the project. Further work is being carried out to confirm the position and at this stage the scheme is flagged as amber pending the outcome of this work.

6. Standard References

6.1. There are no particular references to the Strategic Plan; consultation; publicity considerations; community safety and implications for equality, diversity and human rights and health and safety.

7. Financial implications

7.1. The relevant financial implications are contained within the body of this report.

8. Risk Management Implications

8.1 A process of RAG rating is used to assess the risks associated with individual capital schemes. The body of the report includes details of Scheme progress, risks and associated actions.

Appendices

Appendix A – Capital Programme 2018/19
Appendix B – Capital Programme Funding Changes
Appendix C – Capital Programme Significant Areas of Expenditure
Appendix D - Capital Programme 'Amber' Schemes 2018/19

Service / Scheme	Total Programme £'000	Spend to Q3 £'000	Projected Expenditure 2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Appendix A (Surplus) / Shortfall £'000	RAG Status Q3	RAG Status Q2
SUMMARY									
Communities	11,004.5	760.5	1,943.3	7,137.3	1,851.3	72.6	0.0		
Environment	6,390.6	69.0	2,341.9	3,697.5	351.2	0.0	0.0		
Policy & Corporate	45,870.4	2,258.4	6,789.6	33,069.6	6,011.2	0.0	0.0		
Revolving Investment Fund (RIF)	36,510.3	4,833.8	7,861.0	26,667.9	1,981.4	0.0	0.0		
Completed Schemes	231.4	81.3	231.4	0.0	0.0	0.0	0.0		
Total (General Fund)	**100,007.2**	**8,003.0**	**19,167.2**	**70,572.3**	**10,195.1**	**72.6**	**0.0**		
Housing Revenue Account	12,807.6	5,934.2	11,707.6	1,100.0	0.0	0.0	0.0		
Total Capital Programme	**112,814.8**	**13,937.2**	**30,874.8**	**71,672.3**	**10,195.1**	**72.6**	**0.0**		
COMMUNITIES									
Tiptree P C - Store & WCs S106	89.1	0.0	89.1	0.0	0.0	0.0	0.0	G	G
St Luke's Church Hall Tiptree	48.5	2.9	48.5	0.0	0.0	0.0	0.0	G	G
Collingwood Road Scout Hut	158.2	41.6	158.2	0.0	0.0	0.0	0.0	G	G
Headway Essex S106	10.0	0.0	10.0	0.0	0.0	0.0	0.0	G	-
Walls - new merged scheme	126.5	16.6	22.5	60.0	44.0	0.0	0.0	G	G
Heritage Lighting	200.0	0.0	0.0	200.0	0.0	0.0	0.0	G	-
Mercury Theatre Redevelopment Phase 2	7,368.7	389.1	1,000.0	5,618.7	750.0	0.0	0.0	G	G
Cemetery Extension	38.6	0.0	0.0	38.6	0.0	0.0	0.0	G	G
Cemetery Exterior Lighting	20.0	0.0	0.0	20.0	0.0	0.0	0.0	G	G
Mandatory Disabled Facilities Grants	2,657.3	300.2	600.0	1,100.0	957.3	0.0	0.0	A	A
Private Sector Renewals - Loans and Grants	287.6	10.1	15.0	100.0	100.0	72.6	0.0	G	G
TOTAL - Communities	**11,004.5**	**760.5**	**1,943.3**	**7,137.3**	**1,851.3**	**72.6**	**0.0**		
ENVIRONMENT									
Shrub End Depot	1,040.5	0.0	0.0	840.5	200.0	0.0	0.0	A	A
Waste Collection Strategy	17.7	0.0	17.7	0.0	0.0	0.0	0.0	G	G
Shrub End - Fuel Tank	39.0	39.0	39.0	0.0	0.0	0.0	0.0	G	G
Waste Fleet Vehicles	4,912.2	0.0	2,200.0	2,561.0	151.2	0.0	0.0	G	G
Wivenhoe Adult Gym	16.0	0.0	16.0	0.0	0.0	0.0	0.0	G	G
Castle Park Cricket Pavilion Extension S106	125.0	0.0	0.0	125.0	0.0	0.0	0.0	G	G
Castle Park Improvements	192.7	11.0	21.7	171.0	0.0	0.0	0.0	G	G
Mile End Sports Ground	22.5	19.0	22.5	0.0	0.0	0.0	0.0	G	G
Highwoods Country Park - Coffee Shop improvements	25.0	0.0	25.0	0.0	0.0	0.0	0.0	G	G
TOTAL - Environment	**6,390.6**	**69.0**	**2,341.9**	**3,697.5**	**351.2**	**0.0**	**0.0**		
POLICY & CORPORATE									
Assistance to Registered Housing Providers	36.0	0.0	0.0	36.0	0.0	0.0	0.0	G	G
Use of 1-4-1 Right to Buy Receipts	1,346.0	224.7	671.7	522.1	152.2	0.0	0.0	G	G
Purchase of properties for temporary accommodation	2,880.0	1,904.6	2,880.0	0.0	0.0	0.0	0.0	G	G
Lending to new Council Housing Company	27,886.0	0.0	0.0	22,927.0	4,959.0	0.0	0.0	G	G
Equity Investment in CCHL	7,300.0	0.0	1,500.0	5,800.0	0.0	0.0	0.0	G	G
Equit investment in CAEL	80.0	0.0	80.0	0.0	0.0	0.0	0.0	G	-
District Heating Project North	137.1	25.3	137.1	0.0	0.0	0.0	0.0	G	G
Colchester Northern Gateway Heat Network	5,900.0	0.0	1,300.0	3,700.0	900.0	0.0	0.0	G	G
CCTV Monitoring	111.1	0.0	111.1	0.0	0.0	0.0	0.0	G	G
Charter Hall - improvements	109.7	103.8	109.7	0.0	0.0	0.0	0.0	G	G
LWC - Aqua Springs Refurbishment	84.5	0.0	0.0	84.5	0.0	0.0	0.0	G	G
TOTAL - Policy & Corporate	**45,870.4**	**2,258.4**	**6,789.6**	**33,069.6**	**6,011.2**	**0.0**	**0.0**		

REVOLVING INVESTMENT FUND									
Northern Gateway North	89.5	32.8	89.5	0.0	0.0	0.0	0.0	G	G
CNGN - Mile End Cricket	122.2	108.2	122.2	0.0	0.0	0.0	0.0	G	G
CNGN - Sports Hub	24,481.4	1,679.9	2,500.0	20,280.0	1,701.4	0.0	0.0	A	A
Northern Gateway South	204.0	182.0	204.0	0.0	0.0	0.0	0.0	A	A
CNGS - Detailed Planning	923.8	324.2	923.8	0.0	0.0	0.0	0.0	G	G
CNGS - Boulevard	3,471.2	0.0	100.0	3,371.2	0.0	0.0	0.0	G	G
CNG - Marketing & Branding	11.5	11.5	11.5	0.0	0.0	0.0	0.0	G	G
Town Centre	3,435.3	986.1	1,076.0	2,079.3	280.0	0.0	0.0	G	G
Jacks - St Nicholas St	337.4	52.9	337.4	0.0	0.0	0.0	0.0	A	G
St Nicholas Square & Balkerne Gardens	55.0	28.7	55.0	0.0	0.0	0.0	0.0	G	G
Sheepen Road	4.0	4.0	4.0	0.0	0.0	0.0	0.0	G	G
Sheepen Road Phase 2	2,204.0	1,372.7	2,204.0	0.0	0.0	0.0	0.0	G	R
St Botolphs Public Realm	155.0	0.8	50.0	105.0	0.0	0.0	0.0	G	G
East Colchester Enabling Fund	214.7	0.0	47.3	167.4	0.0	0.0	0.0	G	G
Breakers Park	69.0	0.0	12.0	57.0	0.0	0.0	0.0	G	G
Site Disposal Costs	4.8	0.0	4.8	0.0	0.0	0.0	0.0	G	G
Moler Works Site	2.5	0.0	2.5	0.0	0.0	0.0	0.0	G	G
CMP Phase 3 - PV Systems	95.4	0.0	0.0	95.4	0.0	0.0	0.0	G	A
Digital Strategy - feasibility	182.6	17.7	40.0	142.6	0.0	0.0	0.0	G	A
Sport & Leisure Asset Review	120.0	0.0	0.0	120.0	0.0	0.0	0.0	G	-
Grow-on former Queen St Bus Depot	64.3	32.3	64.3	0.0	0.0	0.0	0.0	G	-
Broad Lane Sports Ground Wivenhoe	12.7	0.0	12.7	0.0	0.0	0.0	0.0	G	-
Pre development/feasibility funds	250.0	0.0	0.0	250.0	0.0	0.0	0.0	G	-
TOTAL - RIF	**36,510.3**	**4,833.8**	**7,861.0**	**26,667.9**	**1,981.4**	**0.0**	**0.0**		
COMPLETED SCHEMES (OR WHERE RETENTION ONLY OUTSTANDING)									
Creative Business Centre	0.6	0.0	0.6	0.0	0.0	0.0	0.0		
Colchester Business Centre	1.8	1.8	1.8	0.0	0.0	0.0	0.0		
LWC - Health & Fitness Extension	16.0	15.7	16.0	0.0	0.0	0.0	0.0		
Oak Tree Community Centre Roof	20.5	0.6	20.5	0.0	0.0	0.0	0.0		
Lion Walk Activity Centre	1.4	0.0	1.4	0.0	0.0	0.0	0.0		
Garrison Gym Rebuild	29.0	28.0	29.0	0.0	0.0	0.0	0.0		
Old Heath Recreation Ground Improvements	30.3	0.2	30.3	0.0	0.0	0.0	0.0		
Longridge Toddler Play Area	25.0	25.0	25.0	0.0	0.0	0.0	0.0		
Relocation of Museum Resource Centre	13.3	11.3	13.3	0.0	0.0	0.0	0.0		
Replacement of Cremators	4.8	0.0	4.8	0.0	0.0	0.0	0.0		
St Johns Car Park	7.8	0.0	7.8	0.0	0.0	0.0	0.0		
Local Authority Carbon Management (LACM)	82.2	0.0	82.2	0.0	0.0	0.0	0.0		
Mercury Theatre Redevelopment Phase 2	(1.3)	(1.3)	-1.3	0.0	0.0	0.0			
TOTAL - Completed Schemes	**231.4**	**81.3**	**231.4**	**0.0**	**0.0**	**0.0**	**0.0**		
HOUSING REVENUE ACCOUNT									
Housing Improvement Programme	9,159.0	3,948.0	8,059.0	1,100.0	0.0	0.0	0.0	G	G
Adaptations to Housing Stock	818.0	609.6	818.0	0.0	0.0	0.0	0.0	G	G
Sheltered Accommodation	350.0	320.4	350.0	0.0	0.0	0.0	0.0	G	G
Housing ICT Development	477.3	1.0	477.3	0.0	0.0	0.0	0.0	G	G
Purchase of properties - HRA	2,003.3	1,055.2	2,003.3	0.0	0.0	0.0	0.0	G	G
TOTAL - Housing Revenue Account	**12,807.6**	**5,934.2**	**11,707.6**	**1,100.0**	**0.0**	**0.0**	**0.0**		

£'000	Detail
Revenue Contributions	
2	Colchester Business Centre
(100)	Open Space Provision – remove budget
200	Heritage Lighting
80	Equity investment in Colchester Amphora Energy Ltd
(11)	Shrub End Fuel Tank
171	**Subtotal Revenue Contributions**
Section 106	
(8)	Cook's Shipyard Playground – transfer S106 to revenue
10	Headway Essex
515	Colchester Northern Gateway Sports Hub
517	**Subtotal Section 106**
External Funding	
(262)	Colchester Northern Gateway Sports Hub
978	Mercury Theatre
716	**Subtotal External Funding**
Capital Receipts	
(420)	Colchester Northern Gateway Sports Hub
200	Shrub End Depot
25	Garrison Gym
13	Relocation of Museum Resource Centre
(772)	Review and reallocation of various RIF budgets
(954)	**Subtotal Capital Receipts & Borrowing**
Borrowing	
1,447	Colchester Northern Gateway Sports Hub
912	Waste Review Vehicles
2,359	**Subtotal Borrowing**
2,809	**Total Change**

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 3 £'000	Commentary
Communities			
Mercury Theatre	1,000	389	The funding package for the main construction project has been secured. The Mercury's fundraising is ongoing. Demolition and archaeology are now complete and the main contract works are on site and are on programme.
Environment			
Waste Fleet	2,200	0	The specification and order has been placed for 34 waste vehicles to the value of £4.6m. By purchasing vehicles rather than leasing them significant annual revenue savings will be generated.
Policy & Corporate			
Equity Investment in Housing Company	1,500	0	Cabinet agreed equity investment in CCHL (Colchester Commercial Holdings Limited). Timing of investment is linked to finalising loan agreement.
Purchase of Properties for Temporary Accommodation	2,880	1,905	This project is to purchase 16 properties to use as temporary accommodation for homeless households, as agreed by Cabinet in January 2018. 11 properties have been purchased up to the end of quarter 3. Five more properties are going through the legal process with completions due in January 2019. At the end of quarter 3, £1.905m had been spent and £875k had been committed, but it should be noted that this excludes any final works required to the properties to bring them up to a lettable standard.
Northern Gateway Heat Network	1,300	0	Cabinet on 15th March 2017, approved a proposal to create a heat network and supporting infrastructure on sites at northern gateway. An update on the project and proposed structure to deliver the scheme was considered by Cabinet in January 2019. A further paper will be going to Cabinet in March 2019 setting out the options for taking the project forwards.
Northern Gateway - Sports Hub	2,500	1,680	Main contractor now appointed. Some site works now underway but rest pending satisfaction of planning conditions. Advanced pitch works complete. S278 works in design. Liaison with funders ongoing. Contractor to provide spend profile asap.

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 3 £'000	Commentary
Town Centre	1,076	986	Enabling monies to support regeneration projects in the Town Centre. Already acquired a group of properties in Osborne Street/ Arthur Street/Vineyard St and continue to purchase further properties as part of the Council's long term for this area. £1.2m budget reallocated to other RIF schemes as approved by RIF Committee.
Sheepen Road Phase 2	2,204	1,373	The second office building at Amphora is well underway with expected completion early 2019 to enable the tenant to carry out their fit out works and take occupancy by April 2019. The original budget did not fully allow for all costs of this project and following a review an increase is now forecast. In addition, due to the constrained nature of the site, costs have increased such as relocation of services, increased statutory utility cost and legal agreement costs. However, the project still shows a healthy return on capital invested and a tenant has been secured with a rental income stream for the next 15 years. RIF Committee agreed additional funding on 16 January 2019.
Housing Revenue Account			
Housing Improvement Programme	8,059	3,948	Programme to maintain and improve the council housing stock to the Colchester standard, the programme is devised using information from the Council's 30 year asset management strategy, which has recently been updated to realign it with the revised HRA business plan. Work was carried forward from 2017/18 that brought a backlog that was completed in the first half of the year using newly procured contractors. The 2018/19 programme has slipped due to a delay in the Government's fire door testing (providing a compliant door we can install), an underperforming contractor and an unsuccessful bathroom tender. There is currently a commitment of £6.341m but a £1.3m slippage is forecast at Year End. The recent heating tender did achieve a saving of £200k, leaving works of £1.1m expected to be carried forward and completed by 30th June 2019.

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 3 £'000	Commentary
Housing Revenue Account			
Purchase of HRA Properties	2,003	1,055	During Q1 three properties were purchased. During Q2 another property was purchased for the HRA. During Q3 3 properties were being progressed and two of these completed, whilst one is still under progression. We have utilised the right to buy receipts for 30% of the overall costs in accordance to Government criteria. That means 6 have completed and 1 more is close so far this year.

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 3 £'000	Commentary
Communities			
Disabled Facilities Grants	600	300	Mandatory grant to pay for adaptations to enable disabled persons to remain living at home with increased independence. The 2018/19 budget has been reprofiled to reflect expenditure to date and future expenditure assumptions based on a similar Better Care Fund allocation being received in future years. Spend has been slow this year due to lack of staff resources, with reliance on the use of an externa l specialist surveying company. However, the team is now fully staffed, and cases are now progressing well, but there is a time lag to get properties inspected, grant applications completed, money committed and works completed and the grant paid, with many factors outside of CBC control. The effect of increased staffing will be seen more fully in 2019/20. Completed 53 DFG cases to date, compared to 80 at year end 2017/18.Committment stands at £300k. If the majority of committed cases are completed and paid, combined with in house staffing costs and external surveying costs, expenditure should be approx. £600 - £650k at year end.
Environment			
Shrub End Depot	0	0	Whilst there is not currently a financial risk, discussions with ECC are ongoing with regard to the potential redevelopment of the Recycling Centre for Household waste at Shrub End. Negotiations on land are also ongoing between the Council and ECC. The outcomes of these will feed into the options for the Council's Depot development alongside other potential sites. Budget re-profiled to 2019/20.

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 3 £'000	Commentary
Revolving Investment Fund			
Northern Gateway - Sports Hub	2,500	1,680	See earlier comment
Northern Gateway South	204	182	Turnstone scheme under discussion to meet occupier demand in current market. The CNG Drainage Project is now complete and the system commissioned.
Jacks – St Nicholas St	337	53	See earlier comment

Governance and Audit Committee

Item **10**

7 March 2019

Report of	**Assistant Director Policy and Corporate**	**Author**	**Darren Brown ☎ 282891**
Title	**Financial Monitoring Report – April to December 2018**		
Wards affected	Not applicable		

1. Executive Summary

1.1 This report gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets. The financial position is summarised as follows:-

- The General Fund is showing a net overspend against services of £19k as at period 9. This includes a net underspend on expenditure of £84k and less income of £65k.
- The current forecast outturn position for the General Fund is a net overspend of £267k.
- The Housing Revenue Account is showing a net underspend of £764k as at period 9, and is forecast to be on budget at the year-end.

1.2 Assistant Directors and their budget holders have undertaken a thorough review of the financial position for their services, which is reflected in this report. In addition, SMT continues to monitor the budget position on a monthly basis. The final end of year position will be reported for scrutiny purposes and the impact of this on balances will be considered by Cabinet as part of the budget strategy for 2020/21.

2. Action required

2.1 The Committee is asked to consider the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first nine months of 2018/19, and to note the whilst there is a forecast budget overspend of £267k on the General Fund there remain a number of end of year items which are expected to result in the outturn being delivered on budget.

3. Reason for scrutiny

3.1 Monitoring of financial performance is important to ensure that:

- Service expenditure remains within cash-limited budgets.
- Potential variances at year-end are identified early so that remedial action can be taken to recover the position or 'recycle' any surplus budgets.
- Performance targets are being met.

3.2 This report also gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets.

4. Background

4.1 This report reviews the Council's overall position based on profiled income and expenditure for the nine months to 31 December 2018, and also shows a projection of the outturn figures for the full year. All the information presented in respect of General Fund Services shows the position based on net 'direct costs'. The review of the Housing Revenue Account is different in that it shows all costs, both direct and indirect.

Summary Position

4.2 The projected outturn for the General Fund is currently a net overspend of £267k. The Housing Revenue Account forecast outturn position is currently to be on budget.

4.3 The General Fund position is set out in more detail in the following paragraphs and the HRA position explained in paragraphs 4.20 to 4.23. Budgets carried forward from 17/18 are now included in the schedules within this report, and as such will be monitored as part of the overall position.

General Fund – Position to 31 December 2018

Service Budgets

4.4 Appendix A shows the current budget variances and forecast outturn variances by Service Group. The net position shows a variance against profiled budget for General Fund Services (excluding Benefits, NEPP & JMC) of £19k (favourable). This comprises total expenditure being £84k lower than expected and total income being £65k lower than expected. Appendix B breaks these variances down by subjective group.

4.5 The net position to date is broadly in-line with the net forecast outturn position. There are changes expected to expenditure and income variances between period 9 and the year-end, and this reflects a number of factors such as:

- Income either decreasing, or not continuing at the level to date for the remainder of the financial year.
- The profiling of budgets and the impact of changes in spending and income patterns.
- Areas where adjustments will take place as part of the closure of accounts (for example where income has been received in the current year but relates to the next financial year).
- Budgets currently unspent for which a carry forward at year-end may be identified

Income

4.6 Income to the Council is below profiled budgets in a number of areas to date, but most notably in Sport & Leisure, Commercial & Investment, Bereavement and Land Charges. We have however achieved more income in Domestic Waste, Licensing and Planning. As one of our main risk areas, income will continue to be closely monitored by officers on a monthly basis.

Expenditure

4.7 There are underspends against profiled budgets in a number of services areas, predominantly within premises and transport costs, although these are partially offset by an overspend on employee costs. These variances can be as a result of profiling of budgets aswell as timing of expenditure.

4.8 Benefits payments are not shown in Appendix A & B to avoid distorting the reported position for Service Groups. It is currently projected that this area will be underspent by £100k at year end, when the final subsidy claim is paid. Furthermore, NEPP and JMC variances are not included in the Appendix A & B totals, given these areas are ring-fenced and are reported to the relevant joint committee.

Outturn Forecast / Risk Areas

4.9 This is the third review this year of the 2018/19 budget position, and the current detailed forecast outturn is a net overspend of £267k.

	£'000	
Service budgets	467	See paras. 4.10 – 4.11 and Appendix C
Technical / Corporate Items	(200)	See para 4.12 – 4.14
Potential net overspend	**267**	

Service Budgets

4.10 The following table sets out the forecast outturn for all service areas, with outturn variances. This shows a net forecast overspend of £467k. As the table shows, this primarily relates to £254k in Environment, £122k in Customer, and £122k within Policy & Corporate.

Service	**Forecast outturn**		
	Expenditure	*Income*	*Net*
	£'000	*£'000*	*£'000*
Policy & Corporate (incl. CDC)	(83)	205	122
Community	41	(72)	(31)
Customer	214	(92)	122
Environment	366	(112)	254
Total all services	**538**	**(71)**	**467**

4.11 Appendix C sets out details of all forecast variances against service budgets at the year-end totalling £467k. To provide some context on the scale of the variances shown in Appendix C, a percentage value has been included within the comments which shows the proportion of the relevant budget that it represents. For example, an underspend due to vacant posts or the vacancy factor would be expressed as a proportion of the total employees budget for that area.

Corporate / Technical Items

4.12 The budget includes a number of corporate and technical budget areas such as net interest earnings, the provision to repay debt, pension costs and some non-service specific grants. It is currently assumed that the outturn for these areas will be in line with the budget.

4.13 The 2018/19 budget included an assumption of 2% for pay inflation. Given the actual pay award agreed was 1.5%, the resultant saving of circa £100k has been removed from service budgets and is now being held in our technical budget.

4.14 The budget includes an amount for the recovery of housing benefit overpayments, which is where claimants have been overpaid and we recover the money. We are forecasting £100k more income to be recovered than estimated in the budget.

Summary position and action proposed

4.15 The forecast outturn shows a potential net overspend of £267k. There are a number of factors which are contributing to this position, with the main ones being:-

- Less income due to economic factors, e.g. Recycling & Fleet
- Less income caused by external delays e.g. Northern Gateway
- More expenditure due to demand e.g. Recycling & Fleet
- One-off costs associated with futures reviews
- Increased income from the recovery of housing benefit overpayments

4.16. There remain a number of potential changes to the forecast in particular such as those corporate technical budgets relating to Benefits, Business Rates and the Council Tax Sharing agreement. In addition income is expected from a potential one-off compensation claim. These and other normal end of year items mean that we expect the final outturn to be within the budget.

4.17. The financial position for 2018/19 was considered as part of the proposals set out in the 2019/20 budget and it was reported that for the purpose of assessing any impact on balances the outturn position was assumed to be “on budget”. The updated forecast position shows that this is still expected to achieved.

4.18 Assistant Directors and their budget holders have undertaken a thorough review of the financial position for their services, which is reflected in this report. In addition, SMT continues to monitor the budget position on a monthly basis. The final end of year position will be reported for scrutiny purposes and the impact of this on balances will be considered by Cabinet as part of the budget strategy for 2020/21.

Housing Revenue Account

4.19 The Housing Revenue Account (HRA) is a ring-fenced account which is affected by a number of variable factors. At the end of December 2018, the HRA is showing a net underspend of £764k compared to the profiled budget for the same period. This is primarily due to lower expenditure on Premises costs of £363k, and £312k more income than budgeted.

Position to date

4.20 Premises related costs are showing an underspend of £363k as at the end of December 2018. Overall, there is a net underspend of £177k on Repairs and Maintenance, which primarily relates to the timing of expenditure on repairs and maintenance of pumping stations, Homeless Persons Units and other delegated areas. There are underspends of £130k on Grounds Maintenance budgets, £23k on Council Tax on void properties and £31k on Utility and Water costs which relate to the timing of expenditure.

4.21 We have received £312k more income at the end of December 2018. This primarily reflects the net impact of less rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the level of Right to Buy sales.

Forecast Outturn

4.22 The HRA forecast outturn is to be on budget. Any underspend that occurs in the year will be used to fund a greater proportion of our Housing Capital Programme through an increased Revenue Contribution to Capital, thus minimising new borrowing.

5. Standard References

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

6. Strategic Plan references

6.1. The priorities within the Strategic Plan are reflected in the Medium Term Financial Forecast. This makes assumptions regarding government grant and Council Tax income, and identifies where necessary savings will be found in order to achieve a balanced budget. The 2018/19 revenue budget was prepared in accordance with the Strategic Plan’s priorities, in the context of the Council facing growing financial pressures. Budget monitoring enables the financial performance against these priorities to be assessed.

7. Financial implications

7.1. As set out above.

8. Risk management implications

8.1. Risk management is used throughout the budget cycle, and this is reflected in the strategic risk register. The 2018/19 revenue budget report that was approved by Council in February 2018 detailed a number of potentially significant risk areas that had been identified during the budget process. In addition, Heads of Service identify a number of both positive and negative risk areas during the year.

Background Papers
None

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

	Position to date			Forecast Outturn		
Area	**Spend**	**Income**	**Net**	**Spend**	**Income**	**Net**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Corporate & Democratic Core	24	(30)	(6)	-	-	-
Total	**24**	**(30)**	**(6)**	**-**	**-**	**-**
Executive Management Team						
EMT	(23)	-	(23)	-	-	-
Total	**(23)**	**-**	**(23)**	**-**	**-**	**-**
Community						
Assistant Director Communities	(1)	-	(1)	-	-	-
Licensing & Food Safety	73	(93)	(20)	24	(85)	(61)
Community Safety	5	(6)	(1)	-	-	-
Environmental Health Services	(15)	(11)	(26)	(1)	(6)	(7)
Building Control	(6)	(1)	(7)	11	(8)	3
Community Initiatives	(32)	22	(10)	(7)	35	28
Private Sector Housing	3	1	4	20	(13)	7
Cultural Services	(9)	23	14	(4)	3	(1)
Colchester Museums	(1)	5	4	(2)	2	-
Subtotal	**17**	**(60)**	**(43)**	**41**	**(72)**	**(31)**
Colchester & Ipswich Museums	22	(5)	17	10	(16)	(6)
Total	**39**	**(65)**	**(26)**	**51**	**(88)**	**(37)**
Customer						
Assistant Director Customers	-	-	-	-	-	-
Customer Business	(22)	(18)	(40)	13	(34)	(21)
Local Taxation & Business Rates	(49)	(33)	(82)	(21)	(66)	(87)
Customer Solutions	(12)	(26)	(38)	46	(46)	-
Customer Experience	104	51	155	177	54	231
Electoral Services	63	(5)	58	(1)	-	(1)
Subtotal	**84**	**(31)**	**53**	**214**	**(92)**	**122**
Benefits - Payments & Subsidy	280	2,878	3,158	-	(100)	(100)
Total	**364**	**2,847**	**3,211**	**214**	**(192)**	**22**
Environment						
Assistant Director Environment	5	(7)	(2)	4	(7)	(3)
Recycling & Fleet	80	9	89	455	(96)	359
Zones	(134)	(41)	(175)	(31)	(22)	(53)
Bereavement Services	(62)	75	13	(6)	13	7
Car Parking	91	(15)	76	(56)	-	(56)

	Position to date			Forecast Outturn		
Area	**Spend**	**Income**	**Net**	**Spend**	**Income**	**Net**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Subtotal	**(20)**	**21**	**1**	**366**	**(112)**	**254**
Parking Partnership (NEPP)	159	(249)	(90)	224	(650)	(426)
Total	**139**	**(228)**	**(89)**	**590**	**(762)**	**(172)**
Policy & Corporate						
Assistant Director Policy & Corporate	28	-	28	41	-	41
Finance	1	-	1	42	-	42
ICT and Communications	(32)	5	(27)	9	7	16
People and Performance	35	6	41	(12)	(1)	(13)
Governance	(22)	9	(13)	(30)	4	(26)
Place Strategy	(1)	(56)	(57)	(61)	-	(61)
Planning	18	(54)	(36)	(18)	(50)	(68)
Housing	44	(80)	(36)	2	(47)	(45)
Garden Communities	-	-	-	-	-	-
Subtotal	**71**	**(170)**	**(99)**	**(27)**	**(87)**	**(114)**
Company Related:-						
Client – Commercial Company	11	-	11	-	24	24
Corporate Asset Management	(50)	(10)	(60)	52	(33)	19
Commercial & Investment	(22)	136	114	(37)	91	54
Sport & Leisure	(176)	209	33	(71)	210	139
Total	**(166)**	**165**	**(1)**	**(83)**	**205**	**122**
Total (excl. Benefits, NEPP & JMC)	**(84)**	**65**	**(19)**	**538**	**(71)**	**467**
Total (all)	**377**	**2,689**	**3,066**	**772**	**(837)**	**(65)**

Appendix B

Current Budget Variances and Forecast Outturn Variances by Subjective Group

	Position to date			Forecast Outturn		
	Actual	Budget	Variance	Actual	Budget	Variance
Subjective	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Expenditure						
Employees	17,531	17,302	229	23,331	23,220	111
Premises Related	5,797	6,072	(275)	7,723	7,560	163
Transport Related	1,812	1,918	(107)	2,845	2,864	(19)
Supplies & Services	6,265	6,264	1	8,713	8,537	176
Third Party Payments	3,486	3,521	(35)	4,855	4,748	107
Transfer Payments	177	75	102	100	100	0
Capital Financing Costs	0	0	0	110	110	0
Total	**35,068**	**35,152**	**(84)**	**47,677**	**47,139**	**538**
Income						
Government Grant	(1,510)	(1,449)	(61)	(1,512)	(1,562)	50
Other Grants & Reimbursements	(2,702)	(2,509)	(193)	(3,879)	(3,631)	(248)
Customer & Client Receipts	(15,104)	(15,417)	313	(20,436)	(20,563)	127
Income-Interest	(110)	(115)	5	(153)	(153)	0
Inter Account Transfers	0	0	0	0	0	0
Total	**(19,426)**	**(19,490)**	**65**	**(25,980)**	**(25,909)**	**(71)**
Net	**15,642**	**15,661**	**(19)**	**21,697**	**21,230**	**467**

Forecast Outturn Variances

Service Area	Variance			Comment
	Spend £'000	**Income £'000**	**Net £'000**	
Community Services				
Licensing and Food Safety	24	(85)	(61)	Licencing income is forecast to exceed the target by £57k (12.14%) of which £40k relates to PH Vehicle Licencing.
Environmental Health Services	(1)	(6)	(7)	£6k income received as recovered costs awarded by the courts following an appeal case.
Building Control	11	(8)	3	Employee overspends are offset by ACM grant funding.
Community Initiatives	(7)	35	28	Small staff underspend due to vacant posts offset by savings target currently forecast as not being met. Further £12k overspend for Lion Walk following the transition of the service to Age Concern and payment of grant to support new offer to residents and existing members.
Private Sector Housing	20	(13)	7	£10k overspend is forecast on Legal Fees, these costs were unbudgeted but are recoverable subject to the outcome of the appeal case. There is an overspend on recruitment as a result of legislative changes affecting the regulation of (HMOs) and the significant increase in demand on the team. Following the introduction of the Redress Penalty Scheme an unbudgeted £10k of income is being forecast, as well as a small amount of additional income from Inspections.
Cultural Services	(4)	3	(1)	Small underspend on salaries and IT (0.62%) is offset by shortfall in income from advertising and sales (2.4%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Colchester Museums	(2)	2	-	Small underspend on development expenditure. There is a £9.8k (2.2%) shortfall on admissions income, which is partially offset by unbudgeted solar panels income of £4.7k and £2k income from Heritage Guide sales.
Colchester and Ipswich Museums (CIMS)	10	(16)	(6)	CIMS is a ring fenced budget. There is a forecast underspend of £16k (0.9%) on staff costs. This is a mixture of savings from vacant posts (such as the CIMS manager) and maternity leave savings, which are offset by additional casual staff costs and the vacancy factor. Additional general expenses costs of £39k for new CMS to replace MODES, which is partially offset by small savings on equipment and deep store costs in Heckworth. £2k (0.2%) additional grant from Arts Council towards Training Museums, £11k (7.2%) more Retail income and unbudgeted damage cost reimbursement of £5k is being forecast.
Customer Services				
Customer Business	13	(34)	(21)	Overspend relates to training and implementation of new enforcement agent contract – these costs have been reimbursed as part of these new contracts. (3%) Additional £15k income contribution towards overheads from MacMillan, £10k unbudgeted BID income. (4%)
Local Taxation & Business Rates	(21)	(66)	(87)	Underspend relates to a reduction in Magistrates court fee costs. (53%) £66k of extra income on court fees recovered is forecast (26%)
Customer Solutions	46	(46)	-	Additional costs have been incurred due to service needs with the largest being £20k for security at the Hub (100%), and exceeding the budget on print and postage costs by £21k (21%), however the overall costs in this area are reducing year on year.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				Additional income of £35k is forecast from a DWP reimbursement of redundancy costs, and £10k from security recharges (100%)
Customer Experience	177	54	231	Forecast overspend on Employee costs due to redundancy and pension strain payments paid out of 'in-year' budget following the Customer Futures 2 review. A £52k shortfall of income in land charges is forecast by year-end (19.7%).
Electoral Services	(1)	-	(1)	Small underspend on salary costs with the Electoral Services team. (0.1%)
Benefits – Payments & Subsidy	-	(100)	(100)	Forecasting £100K additional income for the collection of Housing Benefit cash overpayments.
Environmental Services				
Assistant Director Environment	4	(7)	(3)	Consultancy costs relating to the Waste and Zones Futures Review are being offset by grant funding and a small employee underspend.
Recycling & Fleet	455	(96)	359	Employee overspends are forecast due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (2.92%). Clear sacks and caddie stock levels are high and although purchasing for recycling kit is expected to slow down a £177k overspend is forecast (69.01%) but this will be monitored against demand. Recycling activity has increased and resulted in £130k more income from recycling credits being forecast. This has been partially offset with a forecast shortfall on Trade income (5.25%). Following market fluctuations in material sales values and resulting additional contractor costs associated with sorting materials, net income derived from the sale of materials will reduce.
Zones	(31)	(22)	(53)	Forecast underspend of £14k on employee costs. There is a small overspend of £12k (3.2%) in Highwoods Country park due to path and bridge works, which are partially offset by more sales income of £6k (6.6%). There is a small overspend in Zones/Sweepers on

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				new stand pipes and additional asbestos clearance of £8k (3.9%) which are partially offset by a £4k fuel underspend. There is a £40k (£2.1%) underspend on grounds maintenance works. Additional income from Fixed Penalty Notices of £21k is being forecast.
Bereavement Services	(6)	13	7	Small underspend on employees and materials for re-sale (0.7%). Shortfall in income for memorial sales of £11.5k (0.8%). Net overspend of £2k (9%) for Assisted funerals. Cremations and burials income predicted to be on budget at year-end.
Car Parking	(56)	-	(56)	Underspend resulting from a one-off gain of £67k in relation to the refund due to CBC of NEPP off street reserves for 2017/18 (100%). This is partially offset by an overspend on repairs and maintenance costs.
North Essex Parking Partnership (NEPP)	224	(650)	(426)	NEPP budgets are ring-fenced and are expected to operate within budget, with any surplus or deficit being transferred to the Decriminalised Parking Reserve at year-end.
Policy & Corporate (incl. CDC)				
Assistant Director Policy & Corp	41	-	41	Overspend relates to a savings target of £35k for the whole service currently forecast as not being met (100%), and agency costs to cover vacant Assistant Director post, slightly offset by reduced hours for PA post (3.6%).
Finance	42	-	42	Forecast overspend on employee costs due to recruitment costs and agency costs to cover two vacant posts. (5.7%).
ICT and Communications	9	7	16	Forecast overspend on ICT Consultancy (43%) offsetting underspends from vacant posts (6.2%). Communications Team standby payment overspend due to previous years back pay (0.5%). Less income than budget is being forecast on roundabout advertising (45%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
People & Performance	(12)	(1)	(13)	A net underspend is forecast on employee costs due to vacant posts offsetting redundancy costs (2.6%). Small unbudgeted income from Unison for collecting company subscriptions through payroll (100%).
Governance	(30)	4	(26)	Underspend forecast on employee costs due to vacant posts, offsetting agency costs to cover maternity (3.24%) Less income from CBH for franking (20%).
Place Strategy	(61)	-	(61)	Underspend forecast on employee costs due to vacant posts following review, offsetting redundancy costs (8%)
Planning	(18)	(50)	(68)	Underspend forecast on employee costs due to vacant posts following review, offsetting redundancy and agency costs (3.6%). More income forecast at year end on Planning Fee's (4.2%).
Housing	2	(47)	(45)	Small overspend forecast due to ECC Pension's charge following Housing Systems Team TUPE to CBH (100%) More income forecast from Homeless Persons Units (54%) and Temporary Accommodation purchases (100%).
Client – Commercial Company	-	24	24	A £24k (8.4%) shortfall is currently forecast against the £286k dividend that is due to be returned to the Council. Colchester Commercial Holdings Limited (CCHL) are looking to mitigate this shortfall by further development management consultancy, growth in corporate event bookings and the development of catering and bar operation at ticketed events.
Corporate Asset Management	52	(33)	19	Unbudgeted spend of £10k for Colchester Library Licence Fee (100%) and £6.6k NNDR Bid Levy (100%). Overspend forecast across R&M (3.4%) and Town Hall PA system overspend (13%). Additional grant income for flood works is being forecast, along with unbudgeted income from County Broadband for rent at Town Hall, back dated to 2014.
Commercial & Investment	(37)	91	54	Commercial properties have some small unplanned cost pressures including business rates and security although these are offset by some underspends, overall a £22k (10.7%) overspend has been forecast.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				Income is forecast to be £75k (2.35%) lower than budget, £100k of this is due to a delay in the progress of the Northern Gateway site, and this has now been moved forward into 19/20. Some small variances on other properties including Vineyard St have also been forecast. The forecast also reflects a net under spend of £42k (40%) by year end. This primarily is as a result of Business and Enterprise grants of £75k (100%) not being made this year, which is partially offset by unbudgeted costs of £50k relating to IT and write-offs of some prior year events income.
Sport and Leisure	(71)	210	139	A business rates pressure of £68k (22%) as well as a £26k (27%) water costs increase on prices and usage (under investigation) and £17k (5%) increased electricity and gas costs have been forecast. Employee savings due to Futures Review have been included. Supplies and services, including equipment costs have been reduced to help offset. An £18k grant expenditure is also off-set by matching income. An income shortfall of £220k (4%) is forecast. Lifestyles membership sales continue to perform above original budget with the year to-date average growth at 13.17%, however, the growth for December slowed to 4.55% and this has been forecast for the remaining months giving a year end forecast of £105k (9.65%) above budget in this area. All other areas of income are forecasting to be less than target by year due to the effect of the roadworks at Cowdray Avenue / Ipswich Road roundabout.

Housing Revenue Account – Period 9 **Appendix D**

December 2018	Current Period - December 2018			Forecast Year-End Position		
Account Description	Profiled Budget to Period 9 £'000	Actual to Period 9 £'000	Variance (under) / over £'000	Annual Budget £'000	Projected Outturn £'000	Variance (under) / over £'000
HRA - Direct & Non-Direct						
EXPENDITURE						
Employees	89	81	(8)	121	121	-
Premises Related	4,842	4,479	(363)	6,470	6,470	-
Transport Related	-	1	1	-	-	-
Supplies & Services	438	414	(24)	832	832	-
Third Party Payments	2,906	2,901	(5)	3,491	3,491	-
Transfer Payments	84	31	(53)	112	112	-
Support Services	2,447	2,447	-	3,464	3,464	-
Capital Financing Costs	-	-	-	15,241	15,595	354
TOTAL EXPENDITURE	**10,806**	**10,354**	**(452)**	**29,731**	**30,085**	**354**
INCOME						
Other Grants & Reimbursements	(90)	(90)	-	(178)	(178)	-
Customer & Client Receipts	(22,286)	(22,598)	(312)	(29,222)	(29,576)	(354)
Income-Interest	(1)	(1)	-	(32)	(32)	-
Inter Account Transfers	-	-	-	(110)	(110)	-
TOTAL INCOME	**(22,377)**	**(22,689)**	**(312)**	**(29,542)**	**(29,896)**	**(354)**
TOTAL NET - HRA	**(11,571)**	**(12,335)**	**(764)**	**189**	**189**	**-**

	Governance and Audit Committee	**Item 11**
	7 March 2019	

Report of	**Assistant Director of Corporate Policy**	**Author**	**Dan Gascoyne ☎ 282577**
Title	**Brexit – governance and business continuity**		
Wards affected	Not applicable		

1. Executive Summary

1.1 This report gives an update on the Council's governance and business continuity arrangements for Brexit.

1.2 The UK's withdrawal from the European Union creates a number of uncertainties for the Council, our communities and businesses. There are different potential risks depending on the eventual exit arrangements. The Council is continuing to monitor the Government's announcements on the implications of the exit from the EU and to bring them to the attention of decision makers at the appropriate level. This includes the potential implications of a 'no deal' Brexit.

1.3 Council officers are in regular contact with Government departments, other local authorities and partner organisations to understand and prepare for Brexit and, where possible, mitigate risks. The Essex Resilience Forum is coordinating preparation and communications in the event of a range of scenarios in terms of civil contingencies. Essex Chief Executives are discussing Brexit planning at the county-wide level. The Council is contributing to information gathering, reports and county-wide planning events.

2. Recommended Decision

2.1 To note the report's content and overview of the current arrangements.

3. Reason for Recommended Decision

3.1 To provide an update on the current position.

4. Alternative Options

4.1 Not applicable.

.

5. Business continuity and local government

5.1 Councils have a key role in continuity planning across concerns which may have an impact on their communities. This sort of contingency planning is normal for councils, who do it every month of every year for issues as diverse as bad weather, major disasters or health crises like a flu pandemic. Brexit is one such area where councils aim to be as prepared as they can be in the light of 'what if' uncertainties.

5.2 Across Essex, local authorities and public services are working together and planning for leaving the EU. This includes participating in local resilience forums (LRFs). These are multi-agency partnerships made up of representatives from local public services, including the emergency services, local authorities, the NHS, the Environment Agency and others. The Essex Resilience Forum (the LRF for Essex) has been planning to mitigate any disruption that may be caused by the EU Exit since August 2018.

5.3 The Essex Resilience Forum looks at planning for a range of scenarios with the goal of keeping the county safe and running. Essex Police and our partners in the county are reviewing business continuity plans and engaging with government departments to ensure preparations for a range of outcomes are made.

5.4 The Council is also keeping abreast of updates, communications and information sharing from many sources including the Ministry of Housing, Communities and Local Government (MHCLG), the East of England Local Government Association (EELGA), as well as from 'subject-specific' professions and disciplines. The Local Government Association (LGA) represents the "voice of local government during the negotiations regarding the UK's exit from the European Union. We (*the LGA*) use our seat at the table to make sure councils can mitigate the risks and capture the opportunities". Councillor Bentley is Chairman of the LGA Brexit Task Force.

5.5 The Local government Brexit preparedness web resource is also facilitating advance planning at national, regional and local levels for councils, partners and other agencies. It provides links to current government guidance to aid ongoing Brexit preparations, is organised into areas of responsibility, and is updated and added to regularly.

6. Business continuity and the Council

6.1 Whatever the issue is, the Council seeks to properly prepare, plan and implement as that is the best way to provide continuity for businesses, residents and employees.

6.2 The Council is preparing for a range of outcomes relating to Brexit. This will help us to continue delivering services both on a daily basis and over the longer term. Business continuity planning is key to this, and the Committee has the Council's Annual Review of Business Continuity on the agenda of this meeting.

6.3 It is currently difficult to predict what the impact will be due to the continuing uncertainties around Brexit. Some issues are already having implications for resources, for example the amount of information relating to preparation and the number of different scenarios. All district councils will receive £35,000 to help prepare for Brexit; this will be allocated to supporting resources when there is greater clarity around where this is most needed.

6.4 Some of the Brexit issues which are being considered by the Council include:

- **Community cohesion**: the potential impact on community cohesion, especially the impact on service delivery and wider resilience resourcing.
- **Community impact:** see section 12 including health, wellbeing and community safety.
- **Communications:** partnership working and signposting residents, businesses and employers to robust information which is continually updated.
- **Data protection:** the potential for extra measures needing to be put in place.
- **Environment:** immediate environmental consequences post 29 March 2019 are likely to be limited, although this could change over time so potential implications for the Council.
- **EU Funding:** see section 11 re potential new burdens and EU funding programmes.
- **Elections:** Current arrangements, in relation to EU nationals being registered and able to vote for local elections will continue, as will the ability for EU nationals to be able to serve their terms as councillors and stand as candidates in the 2019 local elections. A delay to Article 50 may mean EU elections go ahead in the UK.
- **Planning ahead:** as clarity around the 'actual v potential' of Brexit outcomes develops.
- **Procurement:** in practice, it is anticipated that there will be minimal short/medium term changes as EU procurement measures have already been incorporated into domestic legislation and, given the UK will want to access EU markets, the EU is likely to insist on the continuation of many of the regulatory measures.
- **Regulations and Statutory Instruments:** keeping abreast of these and other legal aspects such as the EU Exit Regulations 2019 and the EU Withdrawal Act.
- **Service delivery:** most EU law that governs local authority services has already been incorporated into domestic law and will continue to apply when the UK leaves the EU, regardless of the form that exit takes. On exit, the UK Parliament would then be able to amend or introduce new legislation that affects local government.
- **Watching brief:** being aware of potential risks and opportunities for the Council,

7. Equality, Diversity and Human Rights implications

7.1 The Council's existing Equality Impact Assessments are published on its website here. These would be reviewed in the event of changes to policies, procedures and practices that have an impact on customers and employees.

8. Strategic Plan References

8.1 How the Council governs its business is an underpinning mechanism in the Council's Strategic Plan aims to set out the direction and future potential for our borough.

9. Consultation

9.1 There are no consultation references at this point.

10. Publicity Considerations

10.1 Individuals, organisations and employers can use the GOV.UK website as a 'one stop shop' for information about EU Exit including the article 50 process, negotiations, and announcements about policy changes as a result of EU Exit. It is the key reference resource, as it is continually updated and anyone can sign-up for e-mail alerts. MHCLG is also launching radio and television advertising to highlight the availability of information on the GOV.UK website for anyone searching for Brexit updates.

10.2 Councils across Essex are working together on communications. This includes Essex County Council's Brexit and you web resource which has three sections - the Brexit process; residents; businesses and employers – offering a condensed 'snapshot' of key questions with links to relevant websites. Colchester Borough Council has added a 'quick link' to Brexit and you on the footer on each of its webpages.

11. Financial implications

11.1 As a share of the £40 million allocated to local authorities to help prepare for Brexit, all unitary councils will receive £210,000; combined authorities will receive £182,000; county councils will receive £175,000 each; all district councils will receive £35,000.

11.2 The Government has said that it will assess and, if appropriate, fund any potential new burdens arising on councils as part of EU Exit work they are undertaking.

11.3 It has also secured the UK's participation in EU Funding programmes (ESIF) until 2020, and committed to a domestic fund, the UK Shared Prosperity Fund SPF, post 2020. to replace the money that local areas currently receive from the European Union.

12. Health, Health and Safety, Wellbeing and Community Safety Implications

12.1 The Government and the NHS have been making plans to ensure continued access to medication, along with operational readiness guidance for the health and social care system in England.

12.2 Wellbeing can include many factors such as planning, housing, licensing, environmental health protection, health and safety and economic development. Officers are keeping abreast of technical notices and guidance based on a range of potential scenarios.

12.3 The Safer Colchester Partnership consists of the Council, Police, Probation, Health and Fire Services. The partnership works to 'protect, reduce and address' community safety concerns and this includes anything that has the potential to raise any such concerns.

13. Risk Management Implications

13.1 The Annual Review of Business Continuity is an item on the agenda of this meeting. Every service within the Council has their own Business Continuity Plan. The Council also has an Incident Management Plan which covers the entire organisation. These plans would be activated by the Council's senior management team if needed.

13.2 The Council is taking part in relevant meetings and training. Recent examples include attending a Multi-Agency Information Cell (MAIC) Co-ordinator training session and being among 200 participants in Essex Resilience Forum's EU Exit exercise.

Governance and Audit Committee

Item 12

7 March 2019

Report of	**Assistant Director Policy & Corporate**	**Author**	**Andrew Tyrrell ☎ 282390**
Title	**Review of the Draft Refreshed Business Plans, Governance and Performance of the Council's Wholly-Owned Companies.**		
Wards affected	All Wards		

1. Executive Summary

1.1 In April 2018 the Council set up a wholly owned company, Colchester Commercial Holdings Ltd (CCHL) and three subsidiary trading companies; Colchester Amphora Energy Ltd (CAEL), Colchester Amphora Homes Ltd (CAHL) and Colchester Amphora Trading Ltd (CATL). This Report sets out the governance arrangements that the Council has in place in order to monitor and review the activities of the companies up to the end of Jan 2019.

1.2 The Governance & Audit Committee are asked, in their role as the shareholder committee, to review the performance of Colchester Commercial (Holdings) Limited and its subsidiary companies to date.

1.3 The companies' Business Plans have also been revised to reflect current trading activity and the committee are asked to review these latest draft versions of the Business Plans and make comments and recommendations to Cabinet.

2. Recommended Decision

2.1 To note the governance arrangements that are in place between the Council and Colchester. Commercial (Holdings) Limited and its subsidiary companies.

2.2 To consider and review the activities and financial performance of Colchester Commercial (Holdings) Limited and its subsidiary companies.

2.3 To review, and make recommendations to Cabinet on, the refreshed draft Colchester Commercial (Holdings) Limited Business Plans, including for its subsidiary companies.

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 the Board of Directors, including to recommend to Cabinet the appointment of nominee directors to the board of Colchester Commercial (Holdings) Limited.

4. Alternative Options

4.1 No alternative options are provided.

5. Background Information

5.1 The Localism Act 2011 enabled local authorities to undertake activities designed to make a profit, but only if delivered within a company. The Council established wholly owned companies using these powers. The companies were incorporated under the Companies Act 2006 on 1 June 2017, and began operating from 1 April 2018. The aim was to enable the Council to operate its direct trading services and development functions within a more commercial culture, to address the challenges of ongoing budget pressures. A further 3 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 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 benefits.

5.3 Good governance, accountability and transparency are essential to councils 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.

5.4 The Board of CCHL is made up of four Councillors (Cllrs Barlow, Flores, Goss, and J. Young) and the Managing Director. The Managing Director of CCHL is the Chief Executive of the Council. This role has overall responsibility for ensuring compliance with the Shareholder Agreement. The representation on the Board allows the Council to offer direction to the holding company and its subsidiaries, whilst providing it with the freedom to operate in a fully commercial marketplace driving forward delivery as outlined in the agreed Business Plans.

5.5 The CAEL Board consists of 3 Directors:

- Ian Vipond, (Chair)
- Adrian Pritchard
- Fiona Duhamel

5.6 The CAHL Board of Directors comprises 3 Directors:

- Adrian Pritchard (Chair)
- Ian Vipond
- Gareth Mitchell

5.7 The CATL Board is also made up of 3 Directors:

- Fiona Duhamel (Chair)
- Adrian Pritchard
- Ian Vipond

5.8 Directors have legal duties through the common law directors' duties and the statement of general directors' duties that are set out in the Companies Act 2006, but 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 a large number of very important legal obligations around making investments, disposing of land, health and safety requirements, and employment laws.

5.9 Management Agreement

5.9.1 The Management Agreement between the Council and CCHL sets out how the company will provide a range of services to the Council. The Company and its subsidiaries are also managed and monitored in accordance with the target budgets and other KPI's agreed with the Council under its Management Agreement. The Agreement complies with TECKAL regulations and it is expected that the companies will also, over time, develop and offer a range of services and activities to new markets, which may include other public sector bodies.

5.9.2 Within the Management Agreement it is set out that the Company representatives and Council representatives will meet in regular liaison meetings, where the Council, as (and through its) Client, monitors the manner and provision of the services set out in the management agreement, financial and budgetary performance, non-financial performance and other matters related to the relevant issues that may arise from time to time. As an appendix to the Management Agreement there is a Liaison Protocol, which sets out the frequency and type of meetings to be held between the Council and the Companies.

5.9.3 The Management Agreement also sets out Audit requirements. All of the companies are subject to any audit and inspection requirements of the Council. External audit remains an essential element in accounting for public money and makes an important contribution to the stewardship of the Councils public resources. It also supports local democracy by helping to ensure that members and officers are accountable to the communities they serve and by providing assurance that the public money they manage has been properly spent.

5.9.4 Copies of audited accounts must be provided to the Council as soon as reasonably practicable after external audits. The Company also undertakes all internal and external audit to comply with the law. Similar requirements also exist in regard to complaints, enquiries and legal proceedings related to any services provided by the companies.

5.9.5 The Company manages, on behalf of the Council, the following budgets:

- Sports and Leisure Services
- Corporate asset management
- Commercial and investment properties
- Helpline
- CCTV
- Capital budgets related to project in the Revolving Investment Fund (RIF).

5.9.6 Budgets are set in accordance with the Council budget setting process, framework and timeframe. Submissions are made in November, and considered as part of the overall Council budget. The Council budget is agreed as part of the annual budgeting process and the Company are notified of the budget no later than the 1st of March.

5.9.7 Monthly reporting between the Company and the Council takes place throughout the year, as part of the liaison protocol. This monitors the budget in terms of predicted overspends or underspends, and explores issues that may arise in the course of the year. In the first instance, any remedial actions that may be required are planned and managed by the Company. In the event that this cannot be managed within the Company controls, they would submit a case to the Council to consider and agree what action should be taken. Where there are any underspends on budgets this is retained by the Council at year end.

5.9.8 The Management Fee that the Council pays to the Company to manage the services set out in the Management Agreement is also included within this document. The fee for this year between the Council and CCHL was set at £1,918,000. This fee is also agreed annually, as part of the Council budget process.

5.10 Service Level Agreement (SLA)

5.10.1 It was agreed that CCHL and its subsidiaries will "buy" services from the Council and these services are outlined in a Service Level Agreement (SLA). The Companies pay CBC a fee for the provision of these services. The current SLA runs from 1 April 2018 to 31 March 2021.

5.10.2 This agreement forms the basis of the partnership between the Councils companies and the services provided by the Council. The agreement lays out the respective roles and responsibilities of each party in the provision of the services as outlined below. The service specification and standards for each of the following services are contained as appendices to this agreement;

- ICT and telephony
- Communications, marketing and PR
- Human Resources
- Finance
- Legal, audit, insurance, health and safety, procurement, security and post
- Room and Hallkeepers services (Governance)
- Accommodation
- Fleet
- Customer Services.

5.10.3 Performance of each service, delivery standards and any quality assurance matters were scheduled to be monitored at quarterly review meetings between named individuals within each Council service area and CCHL. Different services have since established different arrangements and practices with the Company that suit their needs as to who attends these meetings and when they are required. There remains agreed routes for escalation if the need arises, as set out within the SLA.

5.10.4 The annual fees for the services provided by the Council are also detailed. The table below summarises the total figures for the first year (2018/19):

Services	**Cost**
ICT and Telephony	£152,000
Communications, Marketing and PR	£77,700
Human Resources	£28,000
Finance	£82,100
Governance	£90,700
Accommodation and associated facilities	£87,200
Fleet Services	£21,600
Customer	£121,300
Total	**£660,600**

5.11 Business Plans

5.11.1 CCHL ensures that the three subsidiary companies deliver against their individual Business Plan targets. The overarching Business Plan for CCHL sets out that the holding

company provides the strategic direction, financial performance monitoring and senior management capacity for the subsidiary companies.

5.11.2 In addition, although CCHL is a holding company, it does undertake some trading activities. For example, it provides the senior management service and strategic direction to the Council's Sport and Leisure function. Each of the subsidiaries has its own Business Plan as detailed below.

5.11.3 The draft version of the "refreshed" and updated CCHL Business Plan remains broadly similar to the 2018 version. Except that it starts to identify some growth objectives which, together with its subsidiaries, will be a focus for the remainder of the plan period (alongside delivery of the management agreement services for the Council). The Plan sets out aims to:

- Continue to deliver against set targets
- Develop second programme of sites for CAHL
- Develop phase 3 garage sites for the Council
- Continue to develop a pipeline of development projects for the Council
- Invest in Digital Technology in both Helpline and CCTV Service
- Explore new opportunities to develop low carbon projects in Colchester
- Continue to explore market for CCHL products and services

5.11.4 The CAEL Business Plan sets out the rationale for setting up the company, which was initially to focus on the Northern Gateway Heat Network. To be able to trade and supply heat the Council needed to set up a new company and it did so to demonstrate its commitment to the low carbon agenda and to provide leadership in the development of "infrastructure-first" energy provision. The resulting Northern Gateway Heat Network (NGHN) will provide an innovative ultralow-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.

5.11.5 In its draft version of the refreshed Business Plan, CAEL now outlines the changes that have occurred in its first year of trading. The Northern Gateway Heat Project remains the main company focus, but the delivery mechanism for the project has changed with the Council taking on a lead role in the infrastructure of the scheme (as agreed at Cabinet in January). CAEL remain responsible for the heat plant and for supplying services to customers. The structure has been amended to reflect the CAEL ability to secure Renewable Heat incentive (RHI), which adds more financial sustainability into the project and grows the rate of return to the Council as shareholder. The Plan continues to highlight other emerging projects which will be developed in the next year of trading.

5.11.6 The Business Plan for CAHL reflects how the company was established to respond to the need for more high quality homes in the borough that are affordable for local people by creating a cross subsidy mechanism with sale of the private homes creating a surplus to invest in affordable homes. Development of new homes for private sale also provides income opportunities for the Council (by optimising existing assets in its ownership and recycling any profits from development for the Council to reinvest into core services).

5.11.7 The Business Plan for 2018 to 2021 set out that the company will develop 4 sites, which were agreed by Cabinet in October 2018. The sites will deliver over 300 new homes and 30% of the new homes built will be affordable homes. The Business Plan also sets out that the company will be seeking to develop and secure terms for a second programme of sites for the Council.

5.11.8 The refreshed draft version of the CAHL Business Plan 2019 highlights the same core objectives of the company (building quality affordable homes for local people, creating a commercial income stream for the Council, and building sustainable homes). However, a number of changes have occurred since the company was established in 2018 and these are highlighted in the refreshed plan; these include:

- Changes to the CBC HRA borrowing headroom thus enabling the completed affordable assets in CAHL to be purchased back by the Council rather than being retained and rented out by CAHL
- Agreements to the site value and site purchase contracts exchanging for the land CAHL is buying from CBC
- CBC putting equity into CAHL
- New work taken on by the company to provide housing development management services to CBC for its own garage site new homes programme

5.11.9 The Business Plan for CATL sets out that the company offers a range of commercial trading businesses and services to customers which will generate new levels of income for the Council. CATL's offering has 2 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, economic development and business support services and commercial development and regeneration project management.

5.11.10 The refreshed CATL Business Plan highlights the direction of travel for the new company as it approaches the end of its first year of trading. The Plan outlines new business opportunities as the Company becomes more established; 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 now that the business is trading effectively. For Development services more work is being picked up for other Council departments, such as Communities, although the Company plans to seek other public sector clients in 2019.

.

5.11.11 All of the Business Plans must be delivered in full compliance with the governance requirements set out by the Council. The Business Plans require the agreement of the Cabinet, but the latest proposals for revised draft Business Plans are attached as Appendix 1 (CCHL), 2 (CAEL), 3 (CAHL) and 4 (CATL) for review and recommendations to be made (to Cabinet) by this Committee.

5.12 Key Achievements

5.12.1 The key trading achievements of the Company to date are outlined below with a comparison on the previous year to show progress made. For Helpline and CCTV:

Helpline	2017/18	2018/19	Increase/Decrease	%
Answered Calls	55,340	56,000	660	1%
Customers	3,125	3,500	375	12%
Fallers	2,820	3,000	180	6%
CCTV				
Assisted Arrests	241	150	-91	-38%

5.12.2 In events, there has been growth of the activities and resultant visitors:

Events	2017/18	2018/19	Increase/Decrease	%
Number of Visitors by venue:				
Charter Hall	26,000	31,000	5,000	
Open Air/Park	130,000	180,000	50,000	
	156,000	**211,000**	**55,000**	**35%**
Number of Events by venue:				
Charter Hall	48	55	7	
Town Hall	341	359	18	
Castle	59	57	-2	
Open Air/Park	42	46	4	
	490	**517**	**27**	**6%**

5.12.3 In addition, the Commercial Development and Estates team have continued to perform well, particularly towards the latter part of the year (as the national economic position became less positive).

Commercial Development and Estates	
Estates	Assets managed proactively with £3.2m rent roll maintained and grown through RIF income projects
Commercial Development	Managed £35m capital programme with circa £32m value of projects already under construction
Economic Development	£18m external funding secured for CBC in 2018/19
Digital Strategy	First major development in the Digital strategy secured through £3.3m government funding to expand ultrafast connectivity to north and east colchester

5.12.4 CAEL and CAHL company progress updates currently relate to the projects being delivered below (and in Appendix 5):

Colchester Amphora Energy Limited Delivery Plan

January 2019

Scheme		Initial Technical & Legal Due Diligence	Soft Market Testing of installation Contract	Grant & RHI legal advice	Borehole no. 1 test	Long term technical advisor appointment	Scheme Design to RIBA 3 by technical advisor	Boreholes no. 2, 3, 4, 5	D&B Procurement Start process	D&B Contractor Appointment	Planning Consent	Start on Site Energy Centre	First heat delivery	Practical Completion
NG Heat Network		Complete	Complete July 2018	Complete Aug 18	Complete Aug-18	Nov 18	Jan-19	Jun-19	Feb 2019	Sept-19	Mar-19	Sept-19	May-20	Dec-23

January 2019

Colchester Amphora Homes Limited

CAHL PHASE 1 Programme

Project	Technical and Legal Due Diligence	Architect Procurement	Planning Submission	Soft Market Testing -Build Contract	Contractor Appointment	Planning Consent	Land Acquisition (exchange)	Start on Site	Practical Completion
Creffield Road	Jul-18	Jun-18	Feb- 19	May 19	Jul-19	April 19	March 19	Sep 19	Sep 20
Military Road	Jul-18	Jun-18	Pre_App Submitted Feb 19 (Full App March/April 19)	May 19	Jul- 19	May 19	March 19	Sep 19	March 21
St Runwald Street	Jul-18	Jun-18	Pre-App April 19 (Full App June 19)	July 19	October 19	August 19	March 19	Aug 19	Apr 21
Mill Road	Sep-18	Aug-18	Pre-App Feb19 (Full App May 19)	Sep-19	Dec-19	Aug 19	March 19	Dec-19	Dec 23 (final phase)

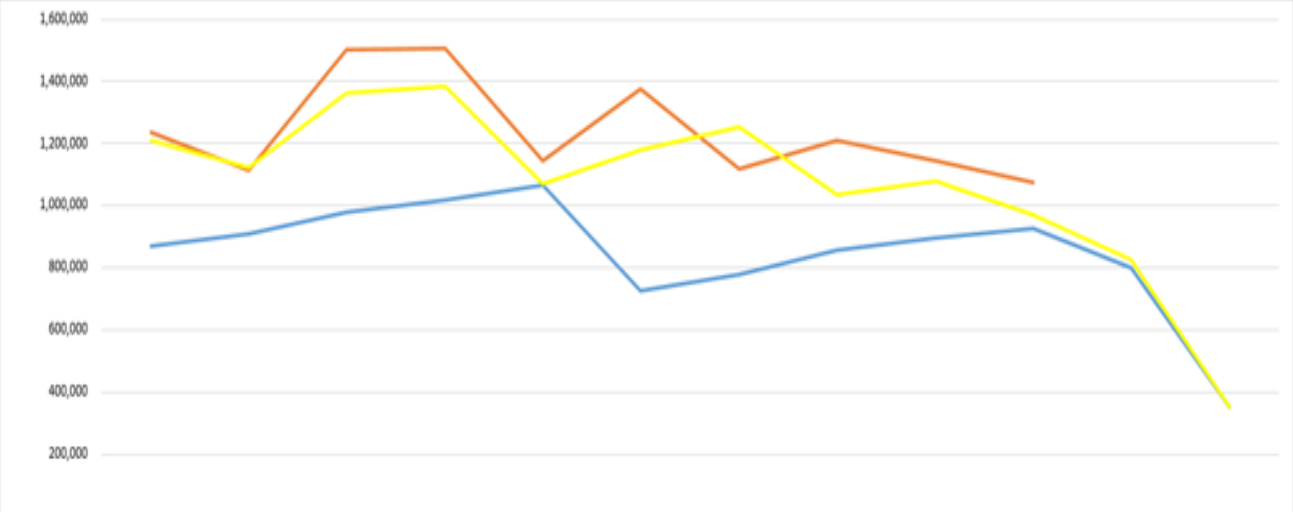
5.12.5 Notably, the Northern Gateway Heat Network being delivered for the Council by CAEL is a flagship project for low carbon heat generation. It has the support of the Department of Business, Industry and Industrial Strategy (BEIS) Heat Network Project (HNIP), being one of only 9 pilot schemes funded by their grant funding across the country. The project has national significance, due to the innovative use of ground water to generate heat at this scale. The table above shows that work continues, and it is expected that RIBA stage 3 design work will be undertaken shortly.

5.12.6 In terms of housing, CAHL are continuing to progress phase 1 of their agreed development sites and will be delivering over 300 new homes in Colchester over the next few years. This will include the provision of over 100 new affordable homes, which are much needed by the borough's residents. The affordable homes will be owned by the Council. Planning applications are now expected to be submitted for the first sites whilst a number of legal agreements (including the loan and the sales) are also being finalised.

5.13 Financial Performance

5.13.1 The Company manages its budget within the overall management fee and through income that the companies generate from their activities. This is then monitored in bi-monthly liaison meetings with the Council, which include officers from the client and finance teams.

5.13.2 A copy of the financial performance summary for CCHL is provided below. Further detail on specific company financial performance sits within the confidential Appendix 5 of this report.



	Apr	June	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Budget	872,335	909,837	978,405	1,020,789	1,064,883	725,354	781,243	858,097	897,650	927,325	801,117	353,000
Actual	1,235,165	1,115,906	1,502,056	1,505,251	1,146,761	1,376,015	1,120,031	1,209,566	1,144,023	1,076,996		
Forecast	1,209,136	1,124,334	1,365,124	1,385,877	1,071,124	1,178,259	1,252,416	1,038,522	1,081,879	973,029	826,754	353,172

5.13.3 Taking figures from the end of January, it is anticipated that the £282k dividend for the Council will be achieved for financial year 2018/19. This figure is net of all year-end costs and tax.

5.14 Non-financial Performance

5.14.1 The non-financial performance of the companies is also monitored in the bi-monthly liaison meetings with the Councils client team. A copy of the non-financial performance summary for CCHL and its subsidiaries is provided within Appendix 5 of this report. This

is taken from the performance dashboard that was provided for the February meeting between the Councils client and finance teams, and the companies.

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. Further Equality Impact Assessment information can be found here.

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. 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. The activities of the Council's companies contribute to the following Strategic plan References:

7.2 GROWTH... Ensuring all residents benefit from the growth of the borough

- Help make sure Colchester is a welcoming place for all residents and visitors
- Ensure residents benefit from Colchester's economic growth with skills, jobs and improving infrastructure
- Promote inward investment to the borough
- Work with partners to create a shared vision for a vibrant town centre.

7.3 RESPONSIBILITY... Encouraging everyone to do their bit to making our borough even better

- Increase the supply of good quality homes by using legal powers to reduce the number of empty homes and improve standards in the private rented sector

7.4 OPPORTUNITY... Promoting and improving Colchester and its environment

- Promote and enhance Colchester borough's heritage and visitor attractions to increase visitor numbers and to support job creation
- Promote green technologies through initiatives such as SMART Cities
- Help business to flourish by supporting infrastructure for start-up businesses and facilitating a Business Improvement District
- Promote initiatives to help residents live healthier lives.

7.5 WELLBEING... Making Colchester an even better place to live and supporting those who need most help

- Encourage belonging, involvement and responsibility in all the borough's communities
- Work with Essex Police and partners in the Safer Colchester Partnership to make Colchester an even safer place
- Create new social housing by building Council homes and supporting Registered Providers
- Target support to the most disadvantaged residents and communities
- Help residents adopt healthier lifestyles by enabling the provision of excellent leisure facilities and beautiful green spaces, countryside and beaches.

8. Consultation

8.1 There is no specific consultation requirement generated in relation to this Report.

9. Publicity Considerations

9.1 There is no specific publicity consideration in relation to this Report.

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, etc, 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 was broadly based on existing budget assumptions when services were operating within the Council.

10.3 The performance in the current year shows that CCHL will deliver against its target dividend for 2018/19. Further details can be found in the confidential dashboard attached at Confidential Appendix 5.

10.4 Looking ahead to 2019/20, the target dividend set out in the CCHL business plan and council budgets assumes an increase in income for the Council of £107k. The Business Plan for CCHL sets out how it is expecting to deliver this increased dividend for the Council, so that the Council can benefit from this in providing our services to the public.

10.5 Turning to funding for CCHL, funding for the company (and certain CATL services) is via a management fee paid by the Council and through income that the companies generate. In addition, separate agreements are being finalised to provide loan finance to the housing and energy subsidiaries. These have been subject to separate reports agreed by Cabinet and as such are not set out in detail within this report.

11. Health, Wellbeing and Community Safety Implications

11.1 Health and wellbeing is influenced by a number of 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.

12. Health and Safety Implications

12.1 The matters herein do not result in harm to the health and safety of the general public.

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 of the companies have a Business Continuity Plan.

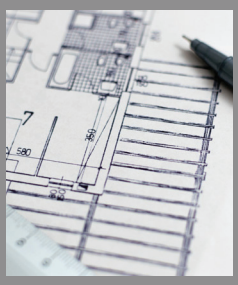
13.2 The key risks associated with the companies concern the financial risk attached to the delivery of income targets (capital and revenue) and management of costs. This is actively managed through regular monitoring and reporting on the financial position and the governance arrangements detailed within the report.

Appendices

1: CCHL Business Plan

Confidential
2: Confidential CAEL Business Plan
3: Confidential CAHL Business Plan
4: Confidential CATL Business Plan
5: Confidential Client Liaison Strategic Report

Colchester
COMMERCIAL HOLDINGS



BUSINESS PLAN 2018 - 2021

Update March 2019

DRAFT

DRAFT

CONTENTS

CONTENTS 02

EXECUTIVE SUMMARY 03

OBJECTIVES 04

CCHL AIMS 04

GOVERNANCE & MANAGEMENT STRUCTURE 05

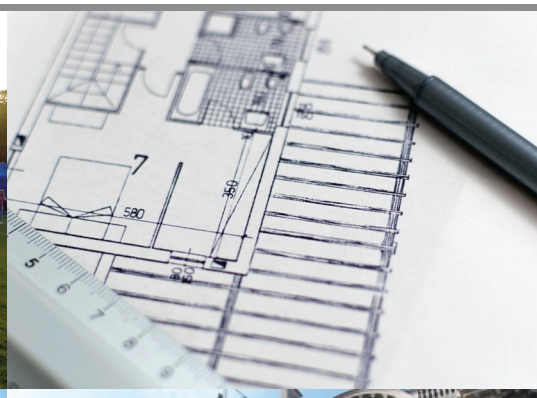
SERVICES PROVIDED BY THE COUNCIL 07

MARKET OVERVIEW ..... 08 - 10

CCHL REVIEW 2018 -- 2019 ..... 13 - 20

FORWARD LOOK 21

FINANCIAL PLAN 22



DRAFT

EXECUTIVE SUMMARY

Colchester Commercial Holdings Ltd is the holding company for three separate subsidiaries, with related but distinct products, services, markets and opportunities. This business plan consolidates the three sub-divisions into a high-quality commercial offer which maintains the strong public sector ethos of its shareholder.

Colchester Amphora Trading will deliver high quality products and services to public and private sector clients in the Property, Leisure and Health Care industries.

Colchester Amphora Energy will design and implement low carbon energy systems and provide energy services in Colchester.

Colchester Amphora Homes will deliver high quality affordable and private sale homes in Colchester and the surrounding area.

DRAFT

PICS

OBJECTIVES

CCHL AIMS:

- Generate profit to maintain viability, reduce risk, return a dividend to our shareholder and re-invest in CCHL.
- Operate in a commercial, innovative manner exploring options for development and expansion.
- Provide our clients with high-quality products and services while maintaining a high level of return for the Council.
- Improve quality and availability of homes for private sale and affordable rent for local people.
- Capitalise on our unique product and services range to gain market share.
- Build the global brand of Colchester as a place to do business, invest, live, study and visit.

DRAFT

PICS

GOVERNANCE & MANAGEMENT STRUCTURE

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

A board of directors has been established to provide strategic direction and oversee performance:

Cllr Nick Barlow
Board Chair

Adrian Pritchard
Board Director

Cllr Julie Young
Board Director

Cllr Vic Flores
Board Director

Cllr Martin Goss
Board Director

DRAFT

The directors hold the responsibility for making decisions, providing leadership and monitoring the performance of the company. The directors are responsible for obtaining appropriate legal, financial and tax advice to enable them to make informed decisions about the running of the company. The directors are responsible for maintaining and regularly reviewing a robust risk management framework. The Board meet on a bi-monthly basis and are bound by the Articles of Association and Code of Conduct.

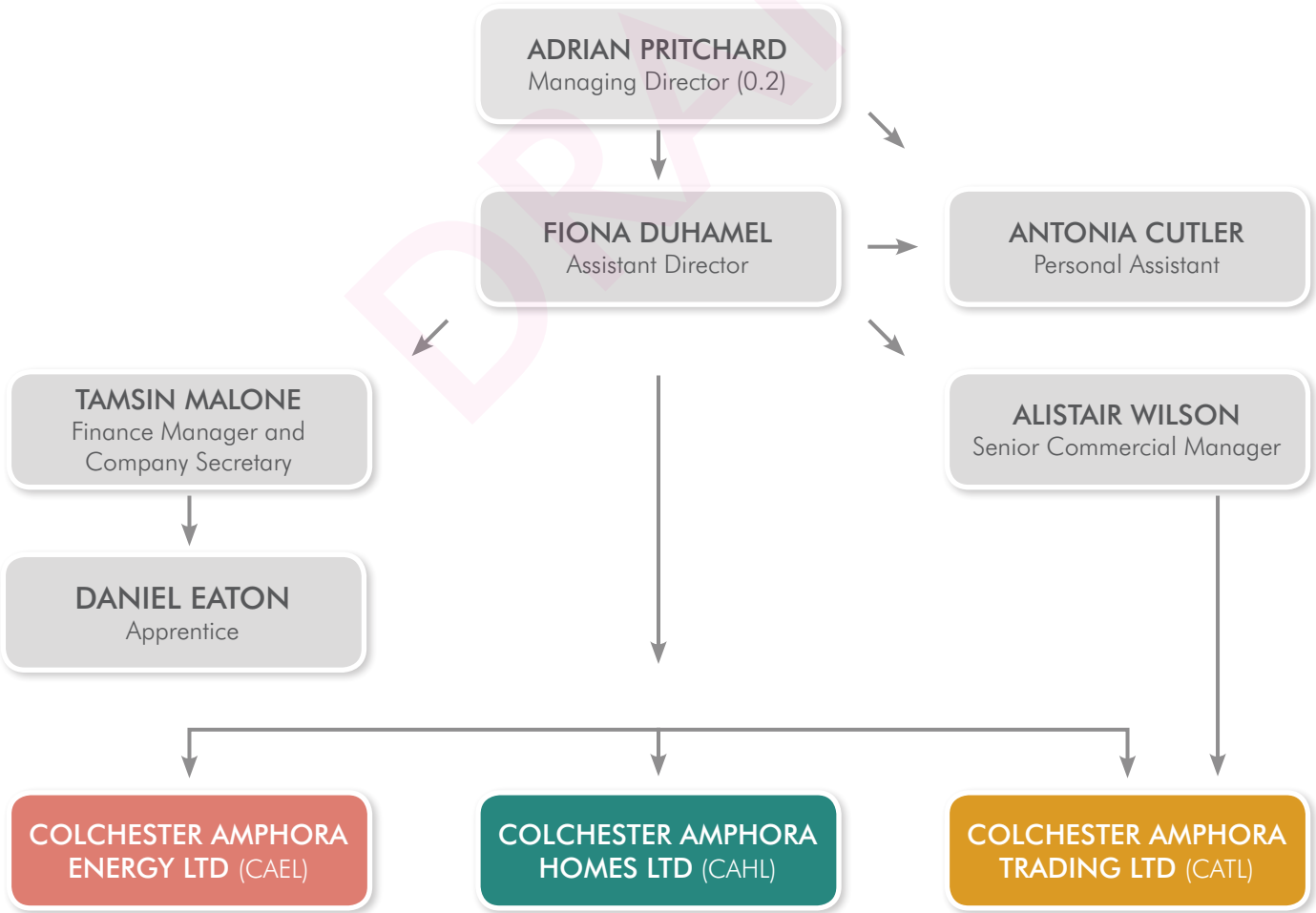
The articles of association govern the decision making and by whom. the company is required to comply with all laws governing private limited companies, such as the Companies Act 2006 and the regulatory regime for local authority companies under the Local Government and Housing Act 1989.

The board of directors are responsible for decisions regarding business development and the day-to-day operation of the company. However, the Cabinet, on behalf of the Council, are required to approve any decisions that would affect the shareholder's rights.

CCHL accesses a range of services from the Council through a series of Service Level Agreements. These are reviewed on a quarterly basis to ensure performance and to ensure the company and Council are achieving value for money.

Any profits made will either be repaid to the Council as a dividend, for the Council to invest in local services or reinvested in to the company.

The senior management of CCHL, as shown below, will produce an annual report on company performance to be taken to Governance and Audit Committee in June each year to provide an update on performance.



DRAFT

OPERATIONAL MANAGEMENT

Accommodation

To provide office accommodation and associated facilities at Rowan House, Sheepen Road, Colchester

Finance

The provision of accountancy services for all aspects of the budget cycle, cash flow management and administration of the Council's financial systems.

ICT and Telephony

To provide efficient and effective ICT services in relation to advice, best practice, policy development, data security and general ICT services

Governance

The provision of hall keeping, insurance, internal audit (via Mazaars), Health and Safety, legal and procurement advice

HR

The People and Performance Team and HRSC will provide operational HR and strategic support

Communication, Marketing and PR

Develop, market, maintain and protect CCHL brand/s and services locally, regionally and nationally to raise their profile, increase customer awareness and satisfaction, communicate with target audiences and engage new audiences

Fleet Services

The provision of vehicles and maintenance in line with the specification required.

Customers

The provisions of customer business services, Multi-Functional Devices and Customer Experience Services.

DRAFT

MARKET OVERVIEW

COLCHESTER AMPHORA HOMES LTD (CAHL)

The need for housing in Colchester continues to grow and supply constraints are an ongoing issue

The current housing market nationally has suffered from some stagnation as a result of uncertainty around Brexit and other policy changes, e.g. tax changes regarding Buy to Lets. However, government policy incentives around first time buyers such as Help to Buy are stimulating an active housing market around smaller homes.

Supply and Demand

Whilst most indicators show an increase in new housing completions in Colchester over the last two years, the number of new housing starts has fallen and remains well short of projected need.

Outlook

There is a clear recognition across political parties of the urgent need to build more homes in the country overall, and specifically in Colchester. Long run trends in population growth and cumulative impact of years of undersupply point to an ongoing need for high quality new homes at an affordable price for both purchase and rent. This market dynamic is driving CAHL's desire to increase output and therefore to help address Colchester's housing shortage over the coming years.

DRAFT

PICS

MARKET OVERVIEW

COLCHESTER AMPHORA ENERGY LTD (CAEL)

The Northern Gateway heat project will provide services to the core scheme identified, as such it will not be in competition with other energy service providers in this area.

However, we will work with the local authority to promote the heat network as part of a wider vision for the new Northern Gateway destination, a place which is proving to be a local and regional trailblazer for innovation around sustainability and digital communications.

In addition, as one of the 9 UK heat network pilots funded by BEIS, CAEL will continue to promote the ultra-low carbon scheme at Northern Gateway through national networks and local channels.

DRAFT

PICS

PICS

PICS

PICS

MARKET OVERVIEW

COLCHESTER AMPHORA TRADING LTD (CATL)

Development Management

Development management is a client-driven industry, and as clients' needs change, the sector - and the firms within it - must adapt quickly in terms of services, structure and operations.

The past few years have seen significant transition, particularly in terms of technology, legislation, financial market Brexit uncertainty and the construction industry. Development management firms have had to respond rapidly, while maintaining their competitive edge and ensuring their own long-term growth.

"The market for development management is borne from investors and landowner seeking to drive best value from their assets".

CATL is new in this sector and as such will target smaller bespoke projects to work on as the larger established nationwide firms have larger multi-disciplinary teams who are able to respond to large scale development projects with ease.

DRAFT

Helpline
There when you need us

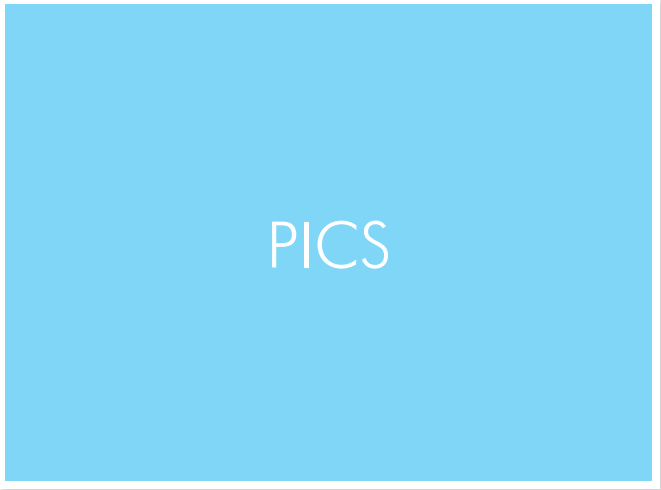
Helpline has been established in the Borough of Colchester, and provided a service to residents across North Essex, for over 20 years with a current customer base of over 3500 individuals.

Helpline prides itself on being the leading provider in North Essex of a dedicated Monitoring & Response falls pick up service, which operates 24 hours a day, 7 day a week. The key ethos of the organisation is to allow residents to remain independent at home and provide peace of mind to friends and family at the touch of a button.

Nationally, NHS England recognize the valuable input Technology Enabled Care (TEC) has on individuals, as it allows people to be in control of their own health, wellbeing and support, keeping them safe, well and independent and offering them and their families peace of mind.

TEC uses phone networks and internet connections to provide access to a range of health practitioners as well as care and support organisations that can respond to emergencies.

By 2025, analogue telephone services will be switched off as the UK's telecoms infrastructure is upgraded to digital connectivity. This shift has major implications for the technology enabled care sector and the 1.7 million people who rely on telecare in the UK. With this digital changeover TEC providers need to carry out work to upgrade their systems and recognise the opportunity digital connectivity represents to devise new services and product offerings.



DRAFT

COLCHESTER
EVENTS
COMPANY

The UK events industry is worth £42.3 billion and there are over 85m event attendees with 1.3 million business events held each year.

Colchester Event Company strives for excellence across the events industry, ensuring a vibrant and challenging selection of entertainment. Maximising the use of venue and outdoor space alike, attracting nationally profiled artists and events due to the commercial viability of the area plus can-do attitudes.

Focusing on social inclusion to ensure that all demographics of audience can be catered for through cultural diversity, working with minority groups to enable organisation and participation in events.

Colchester Events Company wants to develop long lasting partnerships and relationships to ensure sustainability moving forward with projects and initiatives that ensure a level of engagement and delivery for a wide spectrum of partners.

DRAFT

SPOTLIGHT ON:
COLCHESTER AMPHORA HOMES LTD

Colchester Amphora Homes Ltd is a housing development company which has now purchased four sites from the Council to deliver over 300 units, including 30% affordable homes.

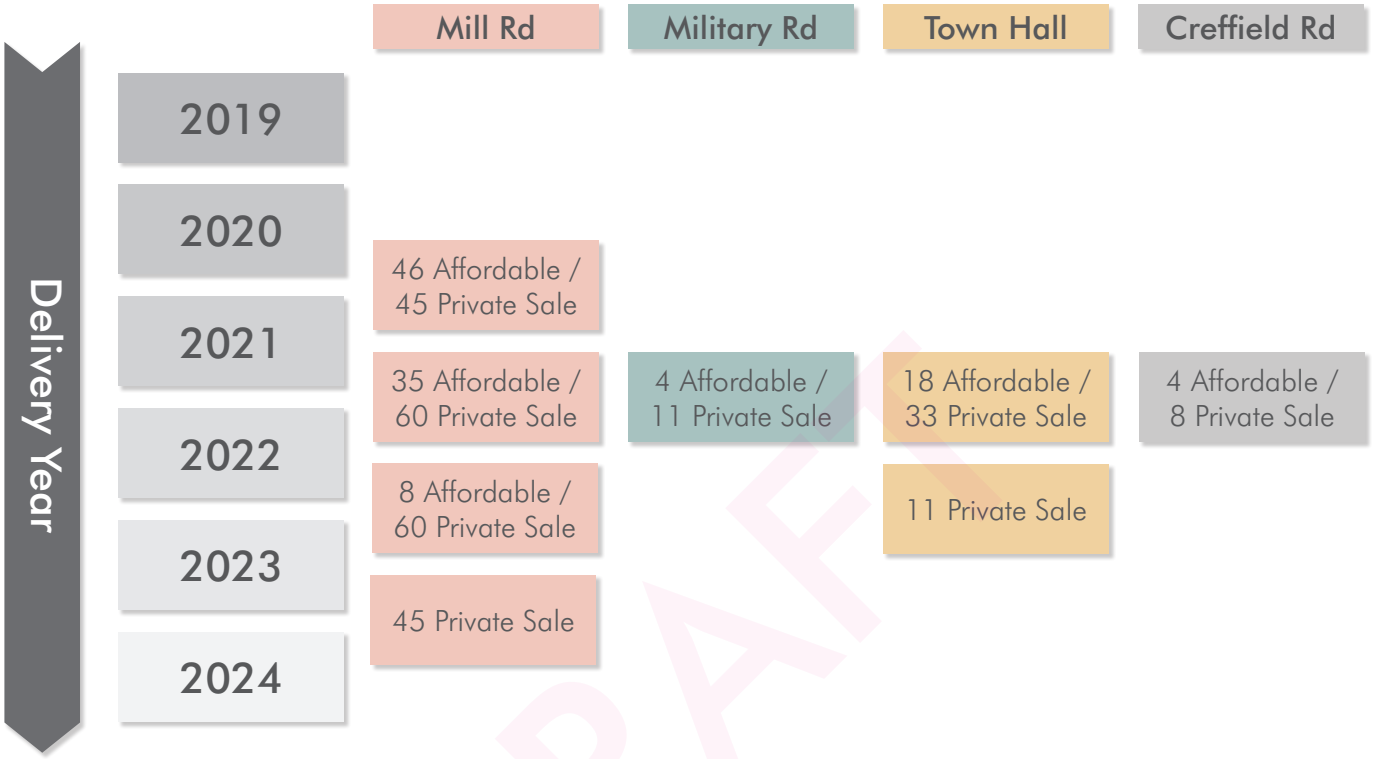
The Company aims to be on site building its first homes in Summer 2019.

CAHL will:

- Seek to become a successful local developer with a reputation for delivering high quality, well-designed residential property.
- Make a positive contribution to the delivery of more housing across Colchester to meet need across a mix of tenures
- Recycle surplus funds generated from these projects to support corporate objectives of the Council as single shareholder
- Provide 30% affordable housing on its sites.
- Trade in a manner that, wherever possible, acts in the best interest of the Council.

DRAFT

CAHL Delivery Schedule



Within CAHL we will continue to offer products and services which are:

- High quality but good value for money
- Based on local provision, both in terms of the sites bought, which will be in or around the Borough, and the local suppliers CAHL seeks to use
- Sustainable - CAHL will strive to create homes which reflect the highest possible levels of environmental sustainability
- Reliable - CAHL will aim to become known as a trusted housebuilder who delivers a quality product
- Innovative - where possible we will seek to introduce new levels of innovation in homes without adding to cost for buyers.

DRAFT

SPOTLIGHT ON:
COLCHESTER AMPHORA TRADING LTD

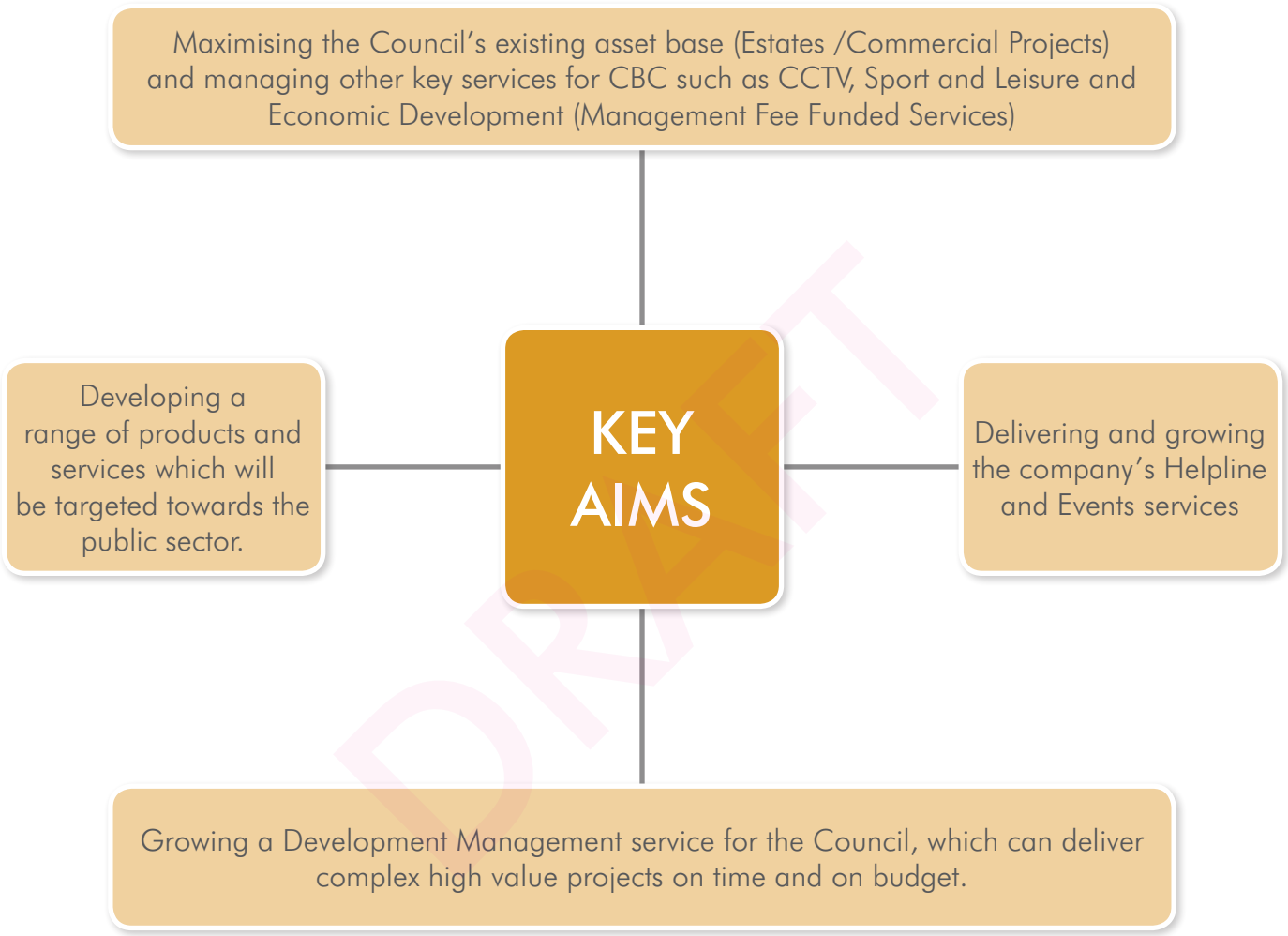
CATL delivers a diverse range of products and services to individuals and businesses across the borough.

CATL will:

- Maximise commercial opportunities and to trade our services in a manner which reflects the ethos of our parent company and sole shareholder, Colchester Borough Council.
- Build our customer and client base and grow a local and regional reputation by delivering high quality services which are good value for money.
- Deliver key services to our largest client, Colchester Borough Council, which maintain and grow its asset-based income levels AND maximise economic and social benefits across the Borough
- Develop new areas of business across all our services
- Maintain a happy, well rewarded, and productive workforce

DRAFT

CATL will focus on four key areas of work within this plan period:



Our Services will be:

- Flexible and innovative with tailor-made options to meet the needs of the individual customer
- Locally delivered - wherever possible (and relevant) we will utilise local suppliers
- Delivered by trusted, reliable and skilled employees.

DRAFT

SPOTLIGHT ON: COLCHESTER AMPHORA ENERGY LTD

Colchester Amphora Energy Ltd (CAEL) will continue to develop and promote the use of local low carbon sources of heat and power through a range of projects and initiatives.

CAEL's current focus is on the delivery of a large heat network at North Colchester that will provide an ultra-low carbon heat solution to residents, businesses and other commercial users as part of the proposed growth location in this part of the Borough.

Delivery Timeline:

JUNE 2019
PLANNING PERMISSION GRANTED

↓

AUGUST 2019
BOREHOLE TESTING COMPLETE

↓

NOVEMBER 2019
ENERGY CENTRE CONSTRUCTION

↓

DECEMBER 2019
PIPE NETWORK INSTALLATION

↓

JUNE 2020
ENERGY CENTRE BUILD COMPLETE

↓

DECEMBER 2020
COMMENCE HEAT SALES

Image of borehole testing compound at the Northern Gateway

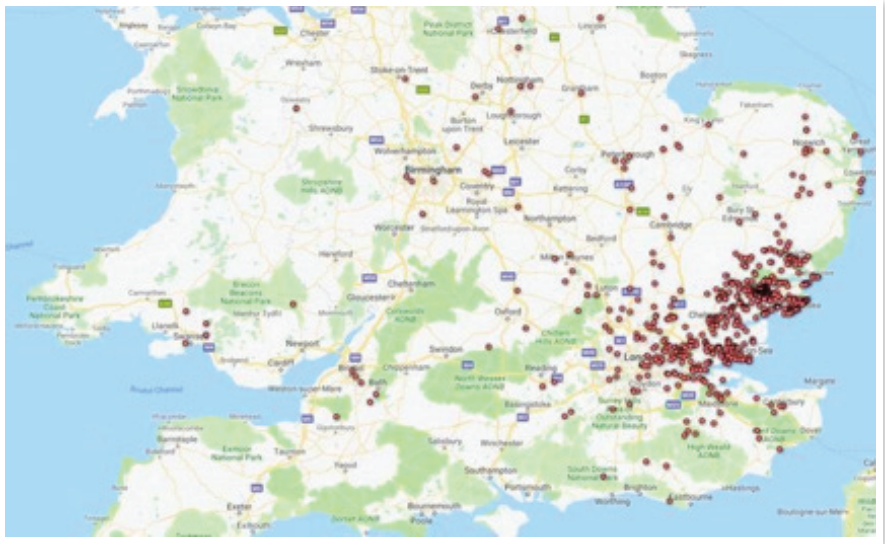
CAEL continues to explore new opportunities and are working with local and regional partners to develop proposals for further projects in the Borough.

OUR FIRST YEAR IN NUMBERS

COLCHESTER AMPHORA TRADING
COLCHESTER EVENTS COMPANY

CEC	17/18	18/19	Change	% Change
Number of Visitors by venue:				
Charter Hall	26,000	31,000	5,000	
Open Air/Park	130,000	180,000	50,000	
	156,000	211,000	55,000	35%

Number of Events by venue:	17/18	18/19	Change	% Change
Charter Hall	48	55	7	
Town Hall	341	359	18	
Castle	59	57	-2	
Open Air/Park	42	46	4	
	490	517	27	6%



Map illustrating ticket purchasers in 2017/18 season for Colchester Events Company

DRAFT

OUR FIRST YEAR IN NUMBERS

HELPLINE

Helpline	17/18	18/19	Change	% Change
Answered Calls	55,340	56,000	660	1%
Customers	3,125	3,500	375	12%
Customer Falls	2,820	3,000	180	6%

Helpline response officer with vehicle

CCTV office

CCTV	17/18	18/19	Change	% Change
Assisted Arrests	241	150	-91	-38%

OUR FIRST YEAR IN NUMBERS

COLCHESTER AMPHORA ENERGY LTD

- Testing and drilling of Borehole 1
- Detailed planning submitted

COLCHESTER AMPHORA HOMES LTD

- 2 housing development sites acquired
- 4 Garage Sites in development
- Detailed planning submitted

COLCHESTER COMMERCIAL HOLDINGS LTD

- £286,000 dividend returned to Colchester Borough Council

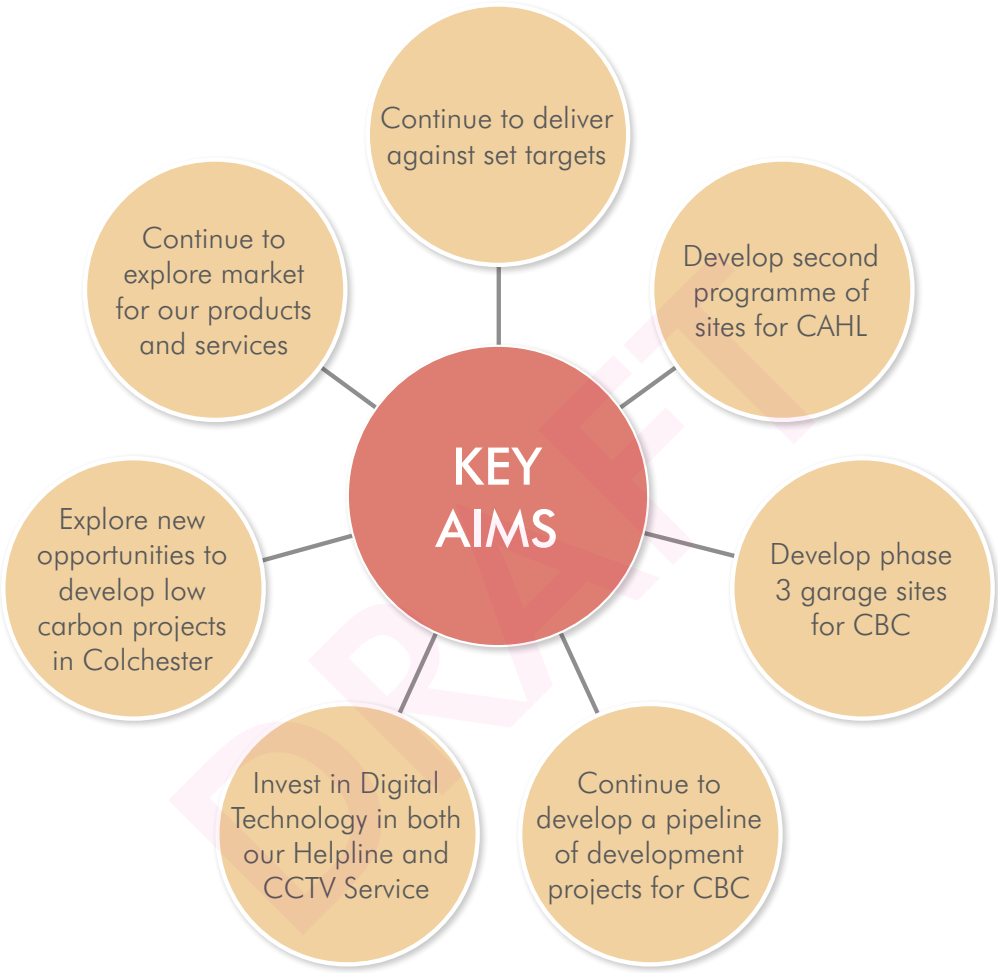
COMMERCIAL DEVELOPMENT & ESTATES

- £3.2m income raised for Colchester Borough Council (CBC) via commercial lets
- £18m of external funding secured for CBC
- Managed £30m capital programme for CBC

DRAFT

FORWARD LOOK

BUILDING UPON OUR PERFORMANCE TO DATE:



PICS

FINANCIAL PLAN

Colchester Commercial (Holdings) Limited Group Forecast Consolidated Forecast 2019 to 2022

	2019/2020			
Income	4,469,944			
Expenditure	-3,970,835			
Profit before tax	499,108			
Tax	-94,831			
Net Profit (Available for dividends)	404,278			

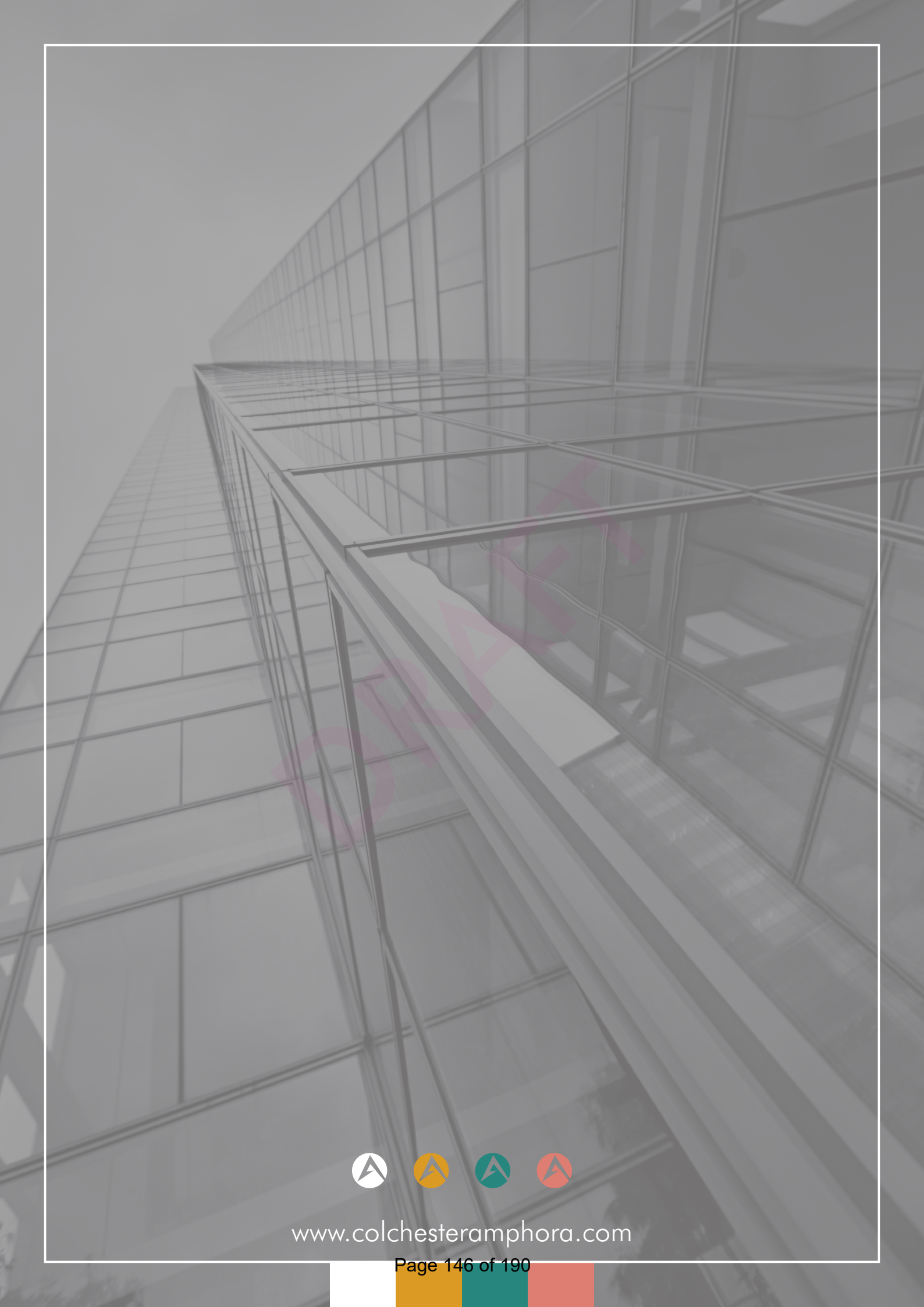
AWAITING INFORMATION

The above forecast ignores the potential impact of the Local Government Pension Scheme movements as they cannot be accurately predicted.

Due to the fact that the balance sheet is relatively simple and no large fluctuations are expected it has not been deemed necessary to include a forecast balance sheet.

Due to the fact that the level of cash is controlled against the level of debt held with the Council it has also not been deemed necessary to include a forecast statement of cash flows.

DRAFT



Governance and Audit Committee

Item **13**

07 March 2019

Report of	**Assistant Director of Policy & Corporate**	**Author**	**Hayley McGrath ☎ 508902**
Title	**Risk Management Progress Report**		
Wards affected	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 2018 to 30 September 2018.

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 impact of the withdrawal from the European Union
- The potential impact of future central government decisions on public funding, including that of partners, and
- Failure or inappropriate performance management of one or more strategic partnerships or key contracts.
- Delays in the delivery of the Garden Communities project.

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 2018.

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 each individual service
- 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 Work has continued to ensure that the commercial risks are appropriately identified and mitigated. This has included identifying insurance requirements for major building renovation contracts and developing insurance programmes for professional services.

6.2 The security arrangements for public civic events continue to be reviewed and modified in conjunction with Essex Police and the Garrison.

6.3 Following the reorganisation of Council services the operational risk registers are being reviewed to ensure that they reflect the structure and the changes that are being made following recent service reviews.

6.4 Support continues to be provided, reviewing the risk elements of event plans, to both the Colchester and the Community Stadium Safety Advisory Groups.

6.5 Following on from the last report to this panel in July 2018, 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 2018.

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. Other Standard References

11.1 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 – Corporate Strategic Risk Register
January 2019 – March 2019

1. AMBITION											
Specific Risks		SCORE						Consequences	Actions	Owner	Timing
		Current			Previous						
		P	I	O	P	I	O				
1a	In a period of public sector resource reductions the ability to have ambition and to deliver on that ambition.	3	2	6				Major changes needed to the town would not be delivered thus affecting the quality of life of its residents and businesses. Major downturn in public sector resourcing over the next few years will hamper the speed of delivery across the services provided. Poorer external assessments by independent agencies and loss of Council reputation. The Borough Council loses its status and influencing ability at sub-regional, regional and national levels.	Ensure the KPI and SPAP reporting processes are effectively used to inform senior management and politicians about the performance and direction of the organisation.	Assistant Director Policy and Corporate	March 2019
1b	Unrealistic internal and external expectations on the speed of delivery.	3	3	9					Ensure that the organisation has a clear strategy for working effectively with businesses in the borough, to develop the economy.	Strategic Director of Policy and Place	March 2019
1c	The Council is unable to effectively influence changes in the Borough economy.	3	4	12							
1d	Over reliance on a limited number of people limits ability to deliver our ambition.	3	3	9					Manage the recruitment and development processes to ensure that the organisation has the appropriate skills and expertise.	Chief Executive	March 2019

2. CUSTOMERS											
Specific Risks		SCORE						Consequences	Actions	Owner	Timing
		Current			Previous						
		P	I	O	P	I	O				
2a	The expectations of our customers, set alongside the financial constraints will create challenges to service delivery, our channel shift ambitions and the reputation of the authority.	3	4	12				The Authority fails to deliver the standards of service and delivery which our customers expect, especially in relation to self-service and the reliance on technology capabilities.	Monitor the engagement and consultation processes, to ensure customers are able to inform service priorities and delivery, whilst managing their methods of interaction with the organisation. This will be evidenced by reporting the pattern of usage of the routes used by customers and savings achieved.	Strategic Director of Customer and Relationships	March 2019
2b	The expectation remains that the Council will step in to deliver services when other providers either fail or reduce service provision	3	3	9				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 of Customer and Relationships	March 2019
2c	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. There will be a transition period whereby residents move to the new application which could be difficult for some of our more vulnerable customers.	2	3	6				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.	Strategic Director of Customer and Relationships	March 2019

3. PEOPLE											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		Current			Previous						
		P	I	o	P	I	O				
3a	Unable to compete with the private sector in the recruitment (and retention) of staff with key marketable skills	4	3	12				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	Communicate job opportunities and benefits of working at CBC clearly and imaginatively.	Assistant Director Policy and Corporate	March 2019
									Review opportunities to do things differently for key posts including considering the value of trading companies.	Assistant Director Policy and Corporate	March 2019
3c	Staff motivation declines with an impact on service delivery, our capacity to make changes and implementation of budget efficiencies	3	4	12					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.	Assistant Director Policy and Corporate	March 2019
									Implement the action plan for the People Strategy; ensuring that performance is regularly monitored.	Assistant Director Policy and Corporate	March 2019
									Regularly report the progress of the learning and development strategy, including financial considerations and business behaviours, and exploring training alternatives.	Assistant Director Policy and Corporate	March 2019

3. PEOPLE											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		Current			Previous						
		P	I	o	P	I	O				
3e	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.	3	3	9				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 of Customer and Relationships	March 2019

4. HORIZON SCANNING											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		Current			Previous						
		P	I	o	P	I	O				
4a	To continuously assess future challenges to ensure Council is fit for future purpose	2	4	8				If not properly managed then either the Council will lose the opportunity to develop further or will 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.	Regularly monitor national trends and policy changes, ensure that CBC is represented on specialist network groups.	Strategic Director of Customer and Relationships	March 2019
4b	Not taking or creating opportunities to maximise the efficient delivery of services through shared provision, partnerships or commercial delivery	4	3	12					Identify and maintain skill set required to meet future challenges, maintain partnership relationships	Strategic Director of Policy and Place	March 2019
4c	Failure by the Council to spot / influence at an early stage the direction of Central Government policies / new legislation.	3	3	9					Ensure that responses are considered and provided for consultations. Utilise specialist officer knowledge and ensure CBC representation on relevant working groups.	Assistant Director Policy and Corporate	March 2019
4d	Potential impact of future central government decisions on public funding, including that of our partners e.g. Fair Funding Review, Business Rates Retention	4	4	16	5	4	20		Maintain a constant review of the budget situation, incl impact of decisions from central government. Identify additional actions and areas for spending as necessary.	Chief Operating Officer	March 2019
4e	The UK's withdrawal from the European Union is leading to a number of uncertainties. At the moment it is unclear how this will impact on the Council, our communities and businesses. There are different potential risks depending on the agreed exit arrangements..	5	4	20	5	3	15		Continue to monitor the Government's announcements on the implications of the exit from the EU and to bring them to the attention of decision makers at the appropriate level, including the potential implications of a 'no deal' Brexit.	Strategic Director of Policy and Place	March 2019

5. PARTNERSHIPS											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		Current			Previous						
		P	I	O	P	I	O				
5a	Failure or inappropriate performance management of one or more strategic partnerships or key contracts E.g. Haven Gateway, LEP, Health, CBH, Emergency Services	4	4	16				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 an 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 of Customer and Relationships & Strategic Director of Policy and Place	March 2019
5b	Change of direction / policy within key partner organisations and they revise input / withdraw from projects.	4	3	12					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 of Customer and Relationships	March 2019
5c	Potential inability to agree shared outcomes/ agendas with partners and the Council's ability to influence partner's performance.	3	4	12							
5d	Working across the partners for delivery of the garden communities project encounters delay. The partners - Colchester BC, Tendring DC, Braintree DC, Essex CC and/or the landowners fail to agree objectives and actions	4	4	16				The project fails to deliver its objectives leading to increased costs as there would be delays in local plan progress and loss of reputation, as well as the long term effect on ability to generate investment into the area and meet housing and employment needs.	The North Essex Garden Communities (NEGC) Board allows the Authorities to co-ordinate their actions and resolve issues.	Strategic Director of Policy and Place	March 2019

6. ASSETS & RESOURCES											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		Current			Previous						
		P	I	O	P	I	O				
6a	Failure to protect public funds and resources – ineffective probity / monitoring systems	3	4	12				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	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.	Chief Operating Officer	March 2019
6b	Risk that Asset Management is not fully linked to strategic priorities and not supported by appropriate resources	3	4	12				Failure to deliver a 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	Review the budget monitoring process to ensure it reflects the structure and co-ordinates finances across the whole Council not just individual service areas.	Chief Operating Officer	March 2019
									Ensure the continued development of the Revolving Investment Fund (RIF) and ensure that assets are used to their full commercial potential.	Strategic Director Policy and Place	March 2019

Continued.

6. ASSETS & RESOURCES											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
6c	Inability to deliver the budget strategy as planned.	3	4	12					Ensure effective use of the controls built into the annual budget strategy, to enable the organisation to respond quickly to changes. Include sensitivity analysis to consider the impact of potential changes to external funding/ income streams and the capacity of the organisation to deliver services. Consider income risks as part of budget strategy / budget plans.	Chief Operating Officer	Annual exercise. Council approves budget in Feb annually
6d	Failure to set aside sufficient capital funds for strategic priorities	3	4	12					Monitor the review processes for the medium term financial outlook, capital programme and HRA business plan processes, to ensure they are kept up to date and realistic.	Chief Operating Officer	March 2019
6e	Significant reliance on our ICT presents challenges in maintaining customer service in the event of service interruptions.	2	5	10					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.	Assistant Director Policy and Corporate	March 2019

6. ASSETS & RESOURCES										
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
6f	Increasing demands around information security and data protection create a risk in the event that security and/or data breaches occur.	2	5	10					Review the IT security policies to ensure that they are fit for purpose and implement a training program for all staff.	Assistant Director Policy and Corporate	March 2019

SCORE DEFINITIONS	1 Very Low	2 Low	3 Medium	4 High	5 Very High
Impact	Insignificant effect on delivery of services or achievement of Strategic Vision & Corporate Objectives.	Minor interruption to service delivery or minimal effect on Corporate Objectives.	Moderate interruption to overall service delivery/effect on Corporate Objectives or failure of an individual service.	Major interruption to overall service delivery or severe effect on Corporate Objectives.	Inability to provide services or failure to meet Corporate Objectives
Probability	10% May happen – unlikely	10 -25% Possible	26 – 50% Could easily happen	51 – 75% Very likely to happen	Over 75% Consider as certain

Risks Removed

1e The resource implications, including ICT, staffing and financial, of the UCC FSR are greater than anticipated. Removed July 15.

1f The organisation fails to recognise the tensions between aspirations and statutory functions. Removed October 17

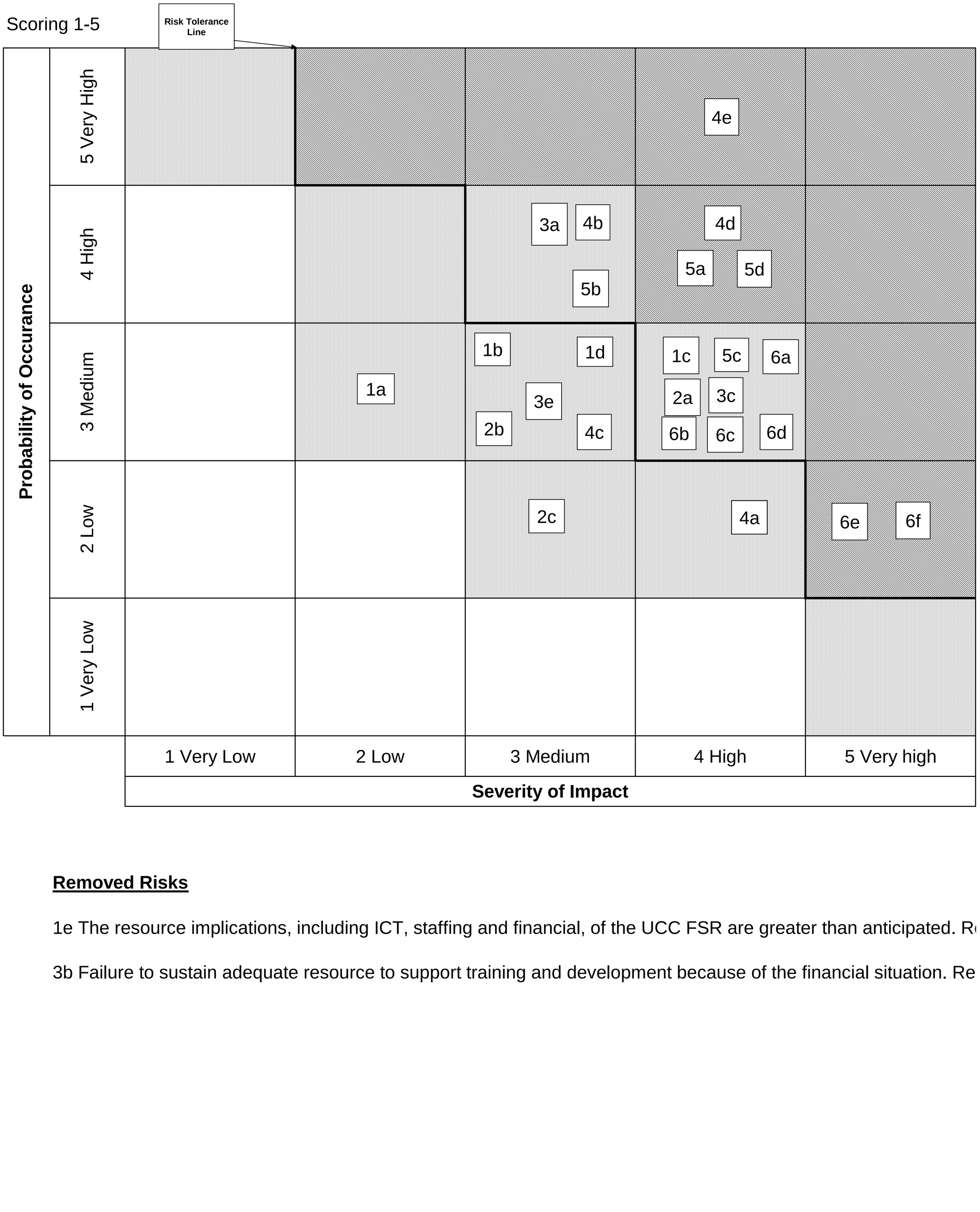
3b Failure to sustain adequate resource to support training and development because of the financial situation. Removed July 15.

3d Failure to provide effective and visible political and managerial leadership. Removed July 15

Appendix B

RISK MATRIX
Jan - Mar 2019

Low Risks	Medium Risks	High Risks



Removed Risks

1e The resource implications, including ICT, staffing and financial, of the UCC FSR are greater than anticipated. R

3b Failure to sustain adequate resource to support training and development because of the financial situation. Re

Governance and Audit Committee

Item **14**

07 March 2019

Report of	**Assistant Director of Policy & Corporate**	**Author**	**Hayley McGrath ☎ 508902**
Title	**Annual Review of Business Continuity**		
Wards affected	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 January 2018 to 31 December 2018.

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 2019.

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 Alongside the normal process of working with services to review and update plans, the following work has also been completed:

6.2 We have reviewed all service plans and made the necessary amendments where departments have moved service areas. We have also completed table top exercises on the following service areas: - Customer, Environment, Communities and Colchester Amphora Trading. Policy and Corporate is to be exercised on 19th December 2018.

6.3 Colchester's Multi Agency Flood Plan has been re-written.

6.4 Colchester Town's Evacuation Plan has been reviewed and agreed by Essex Police.

6.5 We have completed information sheets on our two high risk areas for flooding and supplied those sheets to our Emergency Service Colleagues.

6.6 Colchester's severe weather plan has been updated.

6.7 There has also been a lot of work undertaken with the Essex Resilience Forum. We continue to work collaboratively with our colleagues across the county to produce generic plans that can be used and accessed by all. Colchester senior officers have also taken part in Strategic and Tactical training exercises facilitated by the ERF.
The following plans have been re-written or reviewed this year.

- Humanitarian Assistance Plan
- Rest Centre plan
- Recovery guide
- Reservoir plan
- Mutual aid request guidance

7.0 Business Continuity Strategy for 2019

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 2019. 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 fundamental 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. Other Standard References

11.1 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 2019

Business Continuity Strategy 2019

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

December 2018

Contents Page

BUSINESS CONTINUITY STRATEGY 2019

1.0 Introduction

Colchester Borough Council provides a wide range of services to the local community, many of which are statutory 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 continue to be provided at all times. 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 statutory requirements 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, in order 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 overall Plan and develop service area, functional or specific plans where necessary, in order 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 provide its statutory and legal duties, 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.

In the event that 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 effected 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 also 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 & RESPONSIBILTIES FOR BUSINESS CONTINUITY

	Strategy And Plan	Defence	Continuity	Recovery
Members	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.
Corporate Governance Manager & Resilience Officer	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.
Senior Management Team	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.
Corporate Response Team (Senior Management Team acting in First Call Officer Capacity)	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 stage. 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.
Service Action Teams	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.
Employees, contractors and partners	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

07 March 2019

Report of	**Assistant Director of Policy & Corporate**	**Author**	**Hayley McGrath ☎ 508902**
Title	**Interim Review of the Annual Governance Statement Action Plan.**		
Wards affected	Not applicable		

1. Executive Summary

1.1 This report reviews the implementation of the actions highlighted on the 2017/18 Annual Governance Statement (AGS), which was reported to the Governance and Audit Committee in June 2018. The report included an action plan for issues to be resolved during the current financial year (2018/19).

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 2017/18 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. Other Standard References

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

9. Appendices

9.1 Appendix A – Annual Governance Statement Action Plan for 2018/19, updated Nov 18.

Appendix A

Colchester Borough Council
Annual Governance Statement – Action Plan for 2018/19
Interim Review November 2018

No.	Issue	Action	Due Date	Responsible Officer	Position Update
1.	**Security of premises / information**. During the security audit of one Council building, that is open to the public, access was gained to private office areas. During the year the ICT team also carried out two random tests of data security - one on-line based, involving a spam email to which several officers responded and one building security related, with a non-employee being able to access offices and paper files unchallenged. With the changes to the General Data Protection Regulations due to come into force at the end of May 2018, it is essential that the Council ensures that all buildings and data are robustly protected, both physically and virtually.	The internal audit report and the ICT assessment both identified for improvement. These included physical changes such as re-setting building access cards, issuing role specific lanyards (such as contractor and visitor) and ensuring a robust signing in procedure for visitors, as well as virtual changes such as password changes. These were accompanied by a comprehensive awareness programme for all staff. During 2018/19 further assessments need to be conducted to ensure that these changes have been embedded and are effective.	On-going throughout the year	Assistant Director of Policy & Corporate	All building access cards have been re-issued. Lanyards are issued for all staff and visitors. Visitors are required to register electronically when arriving at both the Town Hall and Rowan House. Access to Rowan House was changed to ensure that all staff enter by the same door – visible to reception desk. There is a balance between secure access and having publically accessible buildings.
2.	**Contract Management** The Council has a number of ongoing contract arrangements and makes a number of decisions during any year for new or additional services. Contract procedures are in place, however, it is essential that all staff are aware of processes and these are followed and documented appropriately.	During the year there is a planned internal audit of contract arrangements and also the opportunity will be taken to build this issue into other relevant audits. Promotion of contract management rules and responsibilities will also be carried out during the year.	On-going throughout the year	Assistant Director of Policy & Corporate	The recommendations of the audit of contract arrangements are being implemented. Awareness training of rules and responsibilities is proposed during the coming year.

No.	Issue	Action	Due Date	Responsible Officer	Position Update
3.	**Project Management** With the ambitious digital challenge programme and major investment activities there have been challenges to the delivery of certain projects. Steps have been put in place to improve project management through additional governance and monitoring. However, given the importance of this area, it continues to be recognised as an issue.	During 2018/19 training programmes will continue to be run to provide staff with relevant project management skills. In addition, the new commercial company arrangements produced will result in revised governance arrangements for the management of economic growth projects. Post implementation reviews and "lessons learned" exercises will be carried out to ensure issues can be embedded into future project management exercises.	On-going throughout the year	Assistant Director of Policy & Corporate	Training programmes have been run regularly throughout the year with attendance from all services. The next course being run early December 18. New programme and project sites have been developed with built in additional governance, including on-line closure reports ensuring 'lessons learnt' are embedded into this process. Progress reporting is currently being developed so the RAG status of projects will automatically feed into the significant project lists. Amphora have developed their own project and programme sites with similar governance built in.
4.	**Financial Management** The challenging financial climate and the need to continually look to new ways of working means staff need to have access to financial information and relevant training to support them in carrying out their duties.	During 2018/19 all budget managers will receive financial training to reinforce the importance of budget management and support to develop financial management skills. Budget management systems and processes will also be reviewed.	On-going throughout the year	Assistant Director of Policy & Corporate	Some training has been provided on a 121 basis to a number of budget managers. A briefing / training for all managers has been prepared and will be delivered this financial year. Frequency of budget reviews has been increased with Budget Group receiving monthly reports.

Governance and Audit Committee

Item **16**

7 March 2019

Report of	**Assistant Director of Policy & Corporate**	**Author**	**Hayley McGrath ☎ 508902**
Title	**Internal Audit Plan 2019/20**		
Wards affected	Not applicable		

1. Executive Summary

1.1 The Accounts and Audit Regulations 2015 require that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

1.2 To ensure that the Council complies with these requirements it maintains a five year program of the key areas to be audited, then annually a plan is agreed with management about the specific areas to be covered during the next financial year. The annual plan is then submitted for committee approval.

2. Recommended Decision

2.1 The committee are asked to consider and agree the suggested Internal Audit plan for 2019/20, shown in appendix A.

3. Reason for Recommended Decision

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

4. Alternative Options

4.1 The alternative is to not agree a plan for 2019/20 and to decide on an ad-hoc basis which areas are to be audited during the year. However this option will not ensure that all key areas are audited and will reduce the effectiveness of the internal audit service.

5. Background Information

5.1 The Council operates a five-year program that covers all the functions that it is anticipated will be reviewed in those years. This is an overview of the areas that require assurance, and annually the specific audits, taking into account changes in service delivery, are agreed with senior management and members. Fundamental systems, such as the General Ledger, need to be reviewed every year to provide assurance for the final accounts process, and these are known as 'managed audits'.

5.2 The Internal Audit contract provides for 325 auditing days a year. For 2019/20 a total of fifty days are allocated to follow-ups and management, leaving 275 days to be allocated to other areas. Currently there are no audits to be carried forward from 2018/19.

5.3 The Corporate Governance Manager has discussed the plan and timings with senior managers to ensure that there is commitment in supporting the auditors whilst carrying out the reviews. It has also been agreed with the Council's external auditors.

5.4 A total of fifteen days have been included in the plan to review significant contracts and twenty five to review IT systems and processes. These items will be identified during the year as required.

6. Colchester Borough Homes & Colchester Commercial Holdings Ltd

6.1 Colchester Borough Homes (CBH) have their own agreed audit plan which is administered by the Council's auditors. The coverage of the plan is decided by CBH and is not reported to this committee.

6.2 However there are a few CBH systems that involve input from the Council and it is appropriate that in these circumstances the audit resource required to provide assurance is shared by, and reported to, both organisations. In 2019/20 there is one 'shared' audit – Housing Rents (ten days) – which has been included on the attached audit plan.

6.3 The audit plan has been rearranged to reflect the Council's new operational structure and several audits have been identified as now coming under Colchester Commercial Holdings Ltd (CCHL). Whilst previously the Council has identified all of the audits required for CCHL, it is now more appropriate for a number of days to be allocated to the company, to decide how they are used.

6.4 However, the Council will require assurance over specific areas, especially in the first few years of operation, therefore a few key areas for review (joint audits) have been identified on the plan along with a general allowance for CCHL to decide how to use, which has been set at fifteen days.

7. Equality, Diversity and Human Rights implications

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

8. Strategic Plan References

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

9. Risk Management Implications

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

10. Other Standard References

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

Appendices
Appendix A – Draft Internal Audit plan for 2019/20.

Five Year Audit Plan @ 01 January 2019 — APPENDIX A

	Audit Area	Managed Audit / A.G.S	2016/17	2017/18	2018/19	2019/20	2020/21
Cross Cutting							
	Site Cash Ups	✓	3	5	3	5	3
	Corporate Governance & Scrutiny	✓		12		12	
	Single Data Set	✓	5	5	5	5	5
	Security of Premises		2	2	0	2	2
	Access Cards				8		
Communities							
	Cemetery and Crematorium			7			10
	Green spaces						10
	Museums - Merged Services inc. Admissions, Shops and Inventories	✓	12	12	15	12	15
	Zone Working				10		
	Lion Walk Activity Centre				5		
	Highwoods Country Park			8			
	Use of equipment / vehicles		8				
	Contracting with 3rd Parties		8				
	Use of Grant funding		8				
	Abandoned vehicles						6
	Allotment and Beach Huts		8				
Customer							
	Debtors	✓	10	5	5	10	5
	Corporate Debt (including bailiffs)				10		
	Council Tax	✓	10	5	5	10	5
	Housing Benefit / Local Tax Support Scheme	✓	12	12	12	12	12
	Housing Benefit Overpayments	✓		8			8
	NNDR / Business Rates	✓	10	5	5	10	5
	Discretionary Housing Payments & Exceptional Hardship Payments				8		
	Corporate PSU / Management Arrangements		10				
	Utility bills				5		
	Freedom of Information			7			
	Complaints		8				
Environment							
	Building Control Fees			8			8
	Fuel Usage		10				
	Parking Services Income / Partnership	✓	15	15	15	15	15
	Waste Management			10			
	Fleet Management					10	
	Food Control					8	
	Animal / Pest Control				8		
	Private Sector Housing - Financial Assistance - DFG				10		
	Environmental Protection					8	
	Licensing - alcohol and entertainment, gambling		8				
	Land charges		7				
	Licensing for taxis			8			
	HMO		7				
	Rechargeable works					8	
	Electoral registration						
Policy & Corporate							
	Contract Management Audits			15	15		15
	Procurement / Purchasing					15	
	Purchasing cards		3			3	
	Health and Safety				8		5
	Performance Management of Staff				5		
	Recruitment and Retention					10	
	Sickness/Leave/Flex Absence & Flexible Working		10				
	Creditors (including CI scheme)	✓	5	10	5	5	10
	General Ledger	✓	10	5	5	10	5
	Risk Management	✓	7		7		7
	Treasury Management	✓	5	5	8	5	5

	General IT - (to be allocated)		25	25	25	25	25
	Budgetary Control						10
	BCP / Emergency Planning		8				8
	Insurances				8		
	Proceeds of crime						8
	S106 Monies				10		
	Planning Policies - consultants and salaries						10
	Planning Fees			10			10
	Payroll	✓	10	10	7	10	7
	Garden Communities				10		
	VAT					15	
Joint with Colchester Commercial Holdings Ltd							
	CCTV + Helpline				12		
	Commercial and Investment Property			10			0
	Events			10			10
	Hire of Stadium				3		
	Leisure World - Core functions, includes joint use centres	✓	10	10	10	10	10
	Leisure World - Other - inc catering and bars		10				
	CCHL / CBC contract management and governance						10
	Additional testing for CBC corporate audits					7	
	CCHL allocated days					15	
Joint with Colchester Borough Homes							
	HUB processes and procedures				3		
	Housing Rents	✓	5	5	5	10	5
	Management of Expenditure CBH	✓		8			8
	Homelessness / Housing Needs Register			10			10
	RTB			10			
Total No. of Days			**269**	**277**	**275**	**267**	**287**

Governance and Audit Committee

Item **17**

7 March 2019

Report of	**Assistant Director of Policy and Corporate**	**Author**	**Zoe Gentry** ☎ **506055**
Title	**Work Programme 2018-19**		
Wards affected	Not applicable		

1. Executive Summary

1.1 This report sets out the current Work Programme 2018-2019 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 Committee's Work Programme for 2018-19.

3. Alternative Options

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

4. Background Information

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

4.2 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.

The 2019/20 Municipal years' Work Programme will be discussed at the first annual Governance and Audit Committee on the 25 June 2019.

5. Standard References

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

6. Strategic Plan References

6.1 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.

6.2 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 2018-19

Meeting date / Agenda items
Governance and Audit Committee - **5 June 2018**
Governance and Audit Committee briefing – **31 May 2018**
1. 2018/19 Audit and Certification Fees letter 2. Draft Annual Statement of Accounts 2017/18 3. Year End Internal Audit Assurance Report 2017/18 4. Review of the Governance Framework and Draft Annual Governance Statement 5. Committee on Standards in Public Life Consultation on Local Government Ethical Standards Response
Governance and Audit Committee - **10 July 2018**
Governance and Audit Committee briefing – **3 July 2018**
1. Annual Statement of Accounts 2017/18 2. Review of Meetings and Ways of Working Update
Governance and Audit Committee - **4 September 2018**
Governance and Audit Committee briefing – **28 August 2018**
1. Colchester Borough Homes Annual Report and Governance Statement 2. 2017/18 Year End Review of Risk Management 3. Annual Audit Letter 4. Publication of Annual Statement of Accounts 2017/18 5. Financial Monitoring Report – April to June 2018 6. Capital Expenditure Monitor 2018/19
Governance and Audit Committee - **30 October 2018**
Governance and Audit Committee briefing – **23 October 2018**
1. Local Government and Social Care Ombudsman Annual Review 2017/18 2. Mid-Year Internal Audit Assurance Report 2018/19 3. Health and Safety Policy and Annual Report 4. Equality and Safeguarding Annual Update
Governance and Audit Committee – **13 November 2018**

Governance and Audit Committee Briefing – **8 November 2018**
1. Treasury Management – Half Yearly Update 2. Review of the Council's Ethical Governance Policies 3. Review of the Members' Code of Conduct and the Council's "Arrangements" 4. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Officers 5. Review of Local Code of Corporate Governance 6. Income and Debt Policy 7. Member/Officer Protocol Review
Governance and Audit Committee - **15 January 2019**
Governance and Audit Committee briefing – **8 January 2019**
CANCELLED
Governance and Audit Committee - **7 March 2019**
Governance and Audit Committee briefing – **26 February 2019**
1. Certification of Claims and Returns External Audit Annual Report 2017-18 2. Audit Plan year ended 31 March 2019 3. Capital Expenditure Monitor 2018/19 – April to December 2018 4. Financial Monitoring Report – April to December 2018 5. Brexit – governance and business continuity 6. Review of the Draft Refreshed Business Plans, Governance and Performance of the Council's Wholly-Owned Companies. 7. Risk Management Progress Report 8. Annual Review of Business Continuity 9. Interim Review of the Annual Governance Statement Action Plan 10. Internal Audit Plan 2019/20 11. Work Programme for 2018-19.