Governance and Audit Committee Meeting

Moot Hall, Town Hall, High Street, Colchester, CO1 1PJ
Tuesday, 18 January 2022 at 18:00

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

Information for Members of the Public

Access to information and meetings

You have the right to attend all meetings of the Council, its Committees and Cabinet. You also have the right to see the agenda (the list of items to be discussed at a meeting), which is usually published five working days before the meeting, and minutes once they are published. Dates of the meetings are available here: https://colchester.cmis.uk.com/colchester/MeetingCalendar.aspx.

Most meetings take place in public. This only changes when certain issues, for instance, commercially sensitive information or details concerning an individual are considered. At this point you will be told whether there are any issues to be discussed in private, if so, you will be asked to leave the meeting.

Have Your Say!

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Access

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

Accounts and Audit

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

Governance

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

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

Other regulatory matters

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

To determine and approve Community Governance Reviews.

Standards in relation to Member Conduct

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

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

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

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

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

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

General

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

COLCHESTER BOROUGH COUNCIL
Governance and Audit Committee
Tuesday, 18 January 2022 at 18:00

The Governance and Audit Committee Members are:

Councillor Dennis Willetts	Chairman
Councillor Leigh Tate	Deputy Chairman
Councillor Kevin Bentley	
Councillor Michelle Burrows	
Councillor Adam Fox	
Councillor Chris Hayter	
Councillor David King	
Councillor Steph Nissen	
Councillor Gerard Oxford	

The Governance and Audit Committee Substitute Members are:
All members of the Council who are not Cabinet members or members of this Panel.

AGENDA
THE LIST OF ITEMS TO BE DISCUSSED AT THE MEETING
(Part A - open to the public)

Please note that Agenda items 1 to 6 are normally dealt with briefly.

1 **Welcome and Announcements**

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

2 **Substitutions**

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

3 **Urgent Items**

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

4 **Declarations of Interest**

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

5 **Minutes of Previous Meeting**

The Councillors will be invited to confirm that the minutes of the meeting held on 23 November are a correct record.

Draft minutes - 23-11-2021 7 - 18

6 **Have Your Say! (Hybrid meetings)**

Members of the public may make representations to the meeting. This can be made either in person at the meeting or by joining the meeting remotely and addressing the Council via Zoom. Each representation may be no longer than three minutes. Members of the public wishing to address the Council remotely may register their wish to address the meeting by e-mailing democratic.services@colchester.gov.uk by 12.00 noon on the working day before the meeting date. In addition a written copy of the representation will need to be supplied for use in the event of unforeseen technical difficulties preventing participation at the meeting itself.

There is no requirement to pre register for those attending the meeting in person.

7 **Colchester Commercial Holdings Ltd Business Plans** 19 - 40

The Committee will consider a report asking it to review the latest Business Plans and make recommendations to Cabinet, who will then seek to agree the new Business Plans formally in March.

8 **External Audit Update and new arrangements** 41 - 46

The Committee will be asked to note the new audit timetable and the revised audit requirements from 2021/2022 accounts.

9 **Interim Review of the Annual Governance Statement Action Plan** 47 - 50

The Committee will be invited to consider and comment on the work undertaken to implement the current Annual Governance Statement action plan.

10 **Risk Management Progress Report** 51 - 62

1.1 The Committee will consider a report providing members with an overview of the Council's risk management activity during the period from 01 April to 30 September 2021.

11	**Mid-Year Internal Audit Assurance Report 2021/22**	63 - 86

The Committee will consider a report setting out a summary of the performance of Internal Audit, and detailing the audits undertaken, between 1 April and 30 November 2021

12	**Annual Review of Business Continuity**	87 - 102

The Committee will consider a report providing Members with an overview of the Council's Business Continuity activity for the period from 01 October 2020 to 30 September 2021.

13	**Work Programme 2021-2022**	103 - 106

The Committee will be asked to consider a report setting out the work programme for the current municipal year.

Exclusion of the Public (not Scrutiny or Executive)

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

Part B
(not open to the public including the press)

GOVERNANCE AND AUDIT COMMITTEE

23 November 2021

Present:- Councillor Kevin Bentley, Councillor Michelle Burrows, Councillor Adam Fox, Councillor Chris Hayter, Councillor David King, Councillor Steph Nissen, Councillor Leigh Tate, Councillor Dennis Willetts (Chairman)

Substitutions:

Also Present:-

285. Minutes of the previous meeting

RESOLVED that: the minutes of the meeting held on 19 October 2021 be confirmed as a correct record.

286. Treasury Management Strategy – Mid Year Review 2021/2022

Mark Jarvis, Finance Manager, attended the meeting to present the report and assist the Committee with its enquires. The Committee heard that this report was the second report in a cycle, with the first having been the Treasury Management Strategy which had been agreed at Full Council in February. Although local authority borrowing had gradually increased over previous financial years, there had been a reduction in the amount of borrowing which had taken place this year due to the impact of the global pandemic and the significant amount of funding which had been provided to local authorities from central government as a result of this. There had been an increase in Colchester Borough Council's (the Council) short term investment due to this additional funding and the economic slowdown. It was predicted that there would be a rise in interest rates in February 2022, from 0.1% to 0.25%, however, the Council's loans were not affected by changes in the base rate or by changes in the Consumer Price Index or Retail Price Index, as the loans were fixed.

With regard to capital expenditure, the Committee were advised that the position nationally had slowed down the Capital Programme which was significant for treasury management purposes as it meant that there had not been the same need to borrow money to the extent that had been predicted. This effect was more pronounced with regard to the General Fund, as the Housing Revenue Account had been affected to a lesser degree as property prices had not been severely affected.

The Council's investment portfolio had increased and had £79.5m of investments as at 30 September 2021, compared to £58m at 30 September 2020. All of the investments were short term and would be payable in the current financial year. No additional borrowing had taken place during 2021/2022 given the Council's strong financial position, and it was intended to continue to borrow internally to reduce the cost of borrowing.

In response to an enquiry from Councillor King, Mark Jarvis explained that the Council's Operation Limit was the amount of money that the Council could borrow up to, however the Council was currently in an under-borrowed position of £52m and was showing a small surplus in the revenue budget. This surplus was considered to be a 'one off' event which would equalise over the forthcoming years.

Councillor Bentley noted that the Council had declared a Climate Change Emergency, and requested assurance that in the light of this, none of the Council's investments were detrimental to the environment. He further enquired what the investments that had been made into other local authorities had been in relation to. Mark explained that although there were opportunities to invest in green funds, the Council was limited in terms of how it could diversify its' portfolio of investments, which was one of the main objectives of the Treasury Management Strategy, to ensure that Council funds were secure. In order to diversify the Council's portfolio, investment had been made in other local authorities which were considered to be safe, and it would not be known what the requested funds would be used for. The Council's brokers undertook due diligence work prior to lending money to other local authorities, however the Committee were assured that local authorities were generally considered to be one of the safest forms of investment. In the rare cases where there may be some concern about lending to a local authority, the position would be discussed with the Council's Treasury Advisors and brokers.

Councillor Willetts noted that there were two facets to green investment; the act of seeking out and making environmentally friendly investments, and actively avoiding making investments in areas or companies which were not environmentally friendly. He sought clarification on how the Council ensured that it did not invest in areas where there were environmental issues. It was clarified to the Committee that the Council did not invest in any equities or properties, and only invested in banks, building societies or other local authorities.

It was clarified to the Committee that a Lender Option Borrower Option (LOBO), which was referred to in the Officer's report, was a type of loan where the interest rate was determined by the bank or the institute that had been borrowed from, and this rate was subject to variance every six months. The Council then had the option to accept the new interest rate or repay the loan.

With regard to the loan to Colchester Commercial Holdings Limited (CCHL), the Committee were advised that the loan which was detailed in the Officer's report of £26.6m was in relation to development being undertaken at Mill Road. The surety for this loan had already been picked up by the Council's auditors and had been highlighted in the previous year's Audit Report, and Officers took steps to appraise the financial statement of CCHL to ensure that any loan was secure. Given the

Council's current strong cash position, it may be the case that when the loan was requested, additional borrowing to fund this may not be needed and loans would not be taken out until necessary.

Councillor Willetts noted that the Council was well within its borrowing limits, and considered that the technical questions which had been posed by the Committee had been answered well.

RESOLVED that: the Treasury Mid-Year report be approved.

287. Financial Monitoring Report – April to September 2021

Mark Jarvis, Finance Manager, attended the meeting to present the report and assist the Committee with its' enquires. The Committee heard that the General Fund was showing a net underspend against services of £1.4m as at period 6 against the profiled budget, and the current forecast outturn position for the General Fund was a net underspend of £799,000, assuming the agreed use of reserves of £2.4m contained in the budget. The Housing Revenue Account was showing a net underspend of £371,000 in period 6, however it was forecast that this would be on budget at year end.

With regard to service budgets, a net forecast overspend of £144,000 was shown, with a number of areas of the Council contributing to this. The Committee was advised that the 2021/2022 budget had included an initial estimate of £500,000 for Sales, Fees and Charges income support from the Government for Quarter 1, however, based on the actual Quarter 1 return £920,000 had been claimed which meant that additional income support of £420,000 would be required.

The attention of the Committee was drawn to information which had been provided in the Officer's report in response to a request that had been made at its previous meeting, which provided a detailed breakdown of the income received from the Government under the Sales, Fees and Charges income loss support scheme.

Councillor Willetts acknowledged that it was a difficult time to be accurate with financial predictions given the ongoing effect on income that the uncertainty following the global pandemic had caused, however, he considered that the Council was in a relatively strong position considering the predicted net underspend and the financial assistance which had been provided by central government.

Councillor King noted that some of the challenges to the Council's income which had been referenced in the Officer's report were not new in nature, and sought assurances that the Council would be in a position to respond to these challenges, particularly with regard to staffing issues. He further sought clarity in relation to the listed item under Bereavement Services and child burial cost income.

Dan Gascoyne, Chief Operating Officer, assured the Committee that the issues were being monitored very closely, noting that vacancies in Neighbourhood Services provided a harder target to meet as this was not a service where the Council could afford to have front line staff missing. The Council had, however, been successful in

recent recruitment campaigns and had been able to employ qualified drivers despite there being a national shortage of skilled workers in this position. The Council was making progress in reducing the use of short-term casual staff. Councillor Willetts noted that the Vacancy Factor Target (VFT) had caused some concerns when setting previous budgets, and wondered how a realistic VFT was set. Mark Jarvis confirmed that every Council service had to set its budget, and part of this was the VFT which was assessed each year.

Councillor Willets considered that the report had been clearly presented, and the questions of the Committee had been fully answered.

RESOLVED that:

- the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first six months of 2021/22 had been considered;
- the forecast budget underspend of £799k on the General Fund necessitating less reserves being used to deliver an on-budget year-end position than originally assumed be noted.

288. Capital Monitoring Report Quarter 2 – 2021/2022

Mark Jarvis, Finance Manager, attended the meeting to present the report and assist the Committee with its enquires. The Committee heard that Colchester Borough Council's (the Council) current Capital Programme stood at £121m, with a total forecast programme of £66m in the current financial year. To date, capital expenditure had only been £16.6m, approximately one quarter of the intended target, however, this was in line with the expenditure that had been made in previous years. The attention of the Committee was drawn to the information which had been supplied in the appendix to the Officer's report, which detailed each of the Council's schemes and risk rated these using a Red, Amber, Green (RAG) rating system. Here were currently two red rated schemes, and twenty three amber rated schemes. The global pandemic had caused issues with supply and there had been increases in the cost of tenders which had created a number of issues. The two schemes that were red rated were of relatively low value.

Councillor Fox questioned one of the major variances on capital expenditure which was the lending to Colchester Commercial Holdings Limited (CCHL) of £26.6m in respect of the Mill Road site, and he asked for an explanation of what had caused the delays, and why the schemes had a green RAG rating as opposed to amber or red. Mark Jarvis confirmed that there had been delays in the scheme caused by the need to obtain planning permission, and that money would not be lent to CCHL until work had started. Although there had been delays to the scheme, these had been between six to nine months, which from a credit management perspective did not generate significant enough concern to RAG rate the scheme as amber. Councillor Fox considered that greater clarity would be appropriate surrounding what the

money was being loaned to CCHL for, and it was agreed that although the Council's subsidiary companies were delivering the project on the behalf of the Council itself that clearer, more specific, wording would be considered in the future when describing the loan.

Councillor Fox identified that St Mark's Community Centre was another project for which additional funding would be requested, and he enquired how much this would be, and when it would be requested. It was confirmed to the Committee that the overspend was currently estimated to be in the region of £300,000, and additional information would be provided to Cabinet and Scrutiny Panel in January 2022.

Councillor Bentley noted that a number of the projects were subject to delays and sought assurance that the costs associated with any delays, together with the impact of rising inflation had been included in any calculations to determine the true costs associated with any scheme. It was confirmed that any additional overspend or other increases due to inflation or the cost of materials would be considered by Cabinet in January when the capital budget was set. The information presented to Cabinet could be referenced in the Quarter 3 Capital Monitoring report that would be presented to this Committee.

Councillor King considered that the Council was not good at estimating the cause for spend, and although the very difficult current context was noted, he considered that there was an opportunity to look clearly at the progress of projects during the forthcoming year's capital programme reset to ensure that the overspending of previous years was avoided if possible. It was confirmed to the Committee that every service was given the opportunity to recalculate ongoing project costs, and the finance team discussed every project with Projects Managers in detail, offering support where necessary, with the aim of mitigating against unforeseen expense.

Councillor Burrows noted that the report contained information suggesting that the Council had allocated child burial costs as a new source of income, and she wondered whether there was a precedent for these charges across other local authorities. Councillor Hayter believed that the costs referred to a central government fund against which the burial costs could be claimed, and did not relate to the charging of grieving families for the costs of child burial. Mark Jarvis will circulate a briefing note to Councillors explaining the position.

RESOLVED that:

- The progress on the Capital Programme as set out in the report had been reviewed, including the associated spend for the first quarter and the budget forecasts for future years.
- The RAG rating for each scheme as rated by the relevant project manager had been reviewed
- The risk analysis on areas where there is a risk of material shortage, inflation, or other increase in costs had been reviewed.

289. Work Programme 2020-2021

Councillor Willetts introduced the item, and advised the Committee that it was being considered earlier than was indicated in the published agenda as there was an item to be considered related to the financial reports which had just been presented, concerning the delay in the receipt of the Annual Audit Letter.

Councillor Nissen enquired whether there had been any additional impact or increased workload for officers as the result of the Council's external auditors, BDO, not completing their work to the scheduled deadline.

Mark Jarvis, Finance Manager, confirmed that it was still hoped that the accounts would be ready to be presented to the Committee by January 2022, however, this was dependent on a number of issues. Although 80% of the audit had now started, the 20% remaining concerned two very large items which had been the subject of delays in the past. It was hoped that the audit report would be received before Christmas, which would allow Officers the opportunity to challenge and review the report prior to its submission to this Committee in January 2022. There was, however, a further complication, in that before BDO were able to sign off the Council's Statement of Accounts, they also had to sign off the Essex Pension Scheme in order to give assurances that this scheme was correct, and therefore the Council's accounts were also correct.

Mark confirmed to the Committee that there had been an impact on Council staff as a result of this delay, and that at this time of year staff should not have still been dealing with audit enquiries, but instead should have been adding value to areas of work such as the Capital Programme and revenue monitoring. The delays had caused further issues with the valuation of the Council's assets, as such valuations had been subject to change and required recalculation, and issues with staff turnover where newer members of staff would take more time to answer questions caused by the delay. Although it was hoped that Annual Audit Letter would be ready for January, if it was not ready then it could have a continued effect on the closure of the 2021/2022 accounts.

Councillors Nissen offered her thanks to Officers for their hard work under such difficult circumstances, comments echoed by Councillors King and Bentley. Councillor Bentley further considered that the Committee should invite BDO to attend its meeting in January and offer what explanation they could for the delay. He felt that it was the duty of the Committee to investigate further on behalf of the residents of Colchester.

Councillor Willetts reminded the Committee that it had written a letter of complaint at the inadequacy of the audit process, and agreed that the Committee should invite BDO to its meeting scheduled for January to further explore the reasons for the delay.

RESOLVED that:

- The contents of the work programme be noted

- That the Council's external auditors, BDO, be invited to the next meeting of the Committee in January 2022

290. Review of the Council's Ethical Governance Policies

Andrew Weavers, Strategic Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The Committee was advised that it was requested to review the updated set of Ethical Governance Policies which were presented to it, before making a recommendation to Full Council that the Policies were included in Colchester Borough Council's (the Council) Policy Framework. It was considered that the Council's Ethical Governance Policies as presented to the Committee were fit for purpose.

The Council was committed to maintaining the highest standards of corporate and ethical governance, and the policies detailed how the Council would achieve that commitment. The Committee were advised that the Council's Statement of Intent had been refreshed following the latest change in Administration and Leader, and the Committee was also requested to recommend to Full Council that the Statement be adopted.

Councillor Willetts made reference to the fact that it had been unnecessary to invoke any of the Policies over the preceding year, and indeed very few times in previous years, and considered that this demonstrated how effective they had been. The Committee were invited to raise a question or make a comment on each of the Policies presented to it which were listed in turn, but no comments were received.

Councillor Bentley noted that the Policies contained a lot of information, and wondered whether it would be appropriate to circulate them to all Councillors ahead of their being presented to Full Council. New Councillors in particular may value the opportunity to read through the Policies before being asked to vote on them. It was confirmed to the Committee that the Policies would be circulated as soon as possible after the meeting.

Councillor Kind praised both the depth and value of the Policies in offering the public assurance that, no matter their political background or differences, Councillors conducted themselves in a fair and transparent manner, and in accordance with the codes and rules that were set.

RESOLVED that:

1. A recommendation be made to Full Council that it adopts the statement of intent in relation to ethical governance.

2. The following revised policies had been reviewed, and it was recommended to Full Council that they be approved for inclusion in the Council's Policy Framework:

• Anti-Fraud and Corruption Policy

• Whistleblowing Policy

• Anti-Money Laundering Policy

• Covert Surveillance Policy

• Colchester Borough Council Social Media RIPA Policy

• Data Protection Policy

• Acceptable Use Policy

• Information Security Policy

• Retention Policy

• Income and Debt Management Policy

291. Annual Review of the Member's Code of Conduct and the Council's Localism Act Arrangements

Andrew Weavers, Strategic Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The Committee were requested to review Colchester Borough Council's (the Council) Members Code of Conduct and the Council's Localism Act arrangements for dealing with complaints. The Localism Act placed a statutory duty on the Council to promote and maintain high standards among elected Members, and Full Council had delegated this function to the Governance and Audit Committee, where it formed part of the Committee's Terms of Reference.

The Committee were requested to keep both the Code and the Council's "Arrangements" under review, but were advised that they did appear to be operating satisfactorily at the present time.

The attention of the Committee was drawn to the number of Councillor Code of Conduct allegations that had been made over the past year, and although the number was slightly higher than previous years, it was not considered that there was a particular trend causing the increase which would lead to any particular concern.

The Committee was reminded that in July 2020 it had considered a proposed Model Code of Conduct which had been drafted by the Local Government Association (LGA), and had provided a formal written response to a consultation in relation to this. The LGA's Code had subsequently been published in December 2020. Monitoring Officers in Essex had considered whether to adopt the new Model Code, however, concerns had been raised about the Members interests section of the Model Code, which it was felt would be confusing; and guidance had been sought from the LGA on this point before it was recommended that the new Model Code be adopted in Essex. The new Model Code, however, did have some strong areas, including its coverage of behaviour with supporting guidance, which was welcome. The Committee was advised that the Model Code had ben revised twice since its publication less than a year ago, and it was recommended that the Committee keep

the Model Code under review, and a further report would be presented later in the municipal year, if it was felt that the Model Code was fit for purpose.

Councillor Bentley declared a non-pecuniary interest in this item as he was a member of the Local Government Association's Executive Board, although had not taken part in any discussion around the Model Code. He supported the Officer's recommendation that the Member's Code of Conduct be kept under active review.

In response to an enquiry from Councillor Fox, Andrew Weavers confirmed that any investigation into the conduct of a Councillor would automatically cease if that Councillor resigned from office, as they would no longer be subject to the Code of Conduct.

Councillor Willetts noted that the LGA scheme seemed to lack stability at present, as it had been revised twice in the past few months. He supported the suggestion that the Committee should keep a watching brief on the Model Code, and that a further report be submitted if the Model Code was felt to offer an enhancement to the Council's current code in the future.

RESOLVED that*:*

1. The contents of the report be noted.
2. The Members' Code of Conduct and the Council's "Arrangements" had been reviewed and no amendments or recommendations were made to Full Council in relation to the Members' Code of Conduct and the Council's "Arrangements".

292. Review of the Local Code of Corporate Governance

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The Committee heard that the Local Code of Corporate Governance was the overarching document which drew the Council's Governance Policies together, and demonstrated how the Council's structures complied with the recognised principles of good governance.

The principles of good governance were set out by The Chartered Institute of Public Finance and Accountancy (SIPFA) and The Society of Local Authority Chief Executives (SOLACE), in a document published in 2007. This document had been updated in 2016, and set out six principles how local authorities should account to, engage with, and lead their local communities, and covered the actions of both Officers and Members.

The Local Code had been reviewed and demonstrated how the Council was meeting the six principles, and highlighted current or ongoing work in respect of this compliance, which was linked to the Council's Annual Governance Statement.

The Local Code had been reviewed and updated to reflect the strategic priorities for investment and the Covid-19 recovery programme, along with the continued commitment to developing hybrid meeting processes. Apart from these changes, there had been no amendments to the Local Code, and the Committee were advised that it was still fir for purpose.

Councillor Willetts noted that in the past the Committee had debated the wording of core principle two, and had expressed some reservations around the sentiment of 'Councillors working together to achieve a common purpose'. It had been agreed that the wording used by the Council would be amended to show that Councillors were working together to deliver the Council's Strategic Plan, and Councillor Willetts sought assurance that this had been reflected in the Local Code. Hayley McGrath confirmed that although the wording in the report had been drawn directly from the published principles, the Council's own code reflected correctly the previously expressed wishes of the Committee with regard to working together to deliver the Strategic Plan.

RESOLVED that*:* the updated Local Code of Corporate Governance for 2021/22 had been reviewed, and it was recommended to Full Council that the updated Local Code of Corporate Governance be approved for inclusion in the Council's Policy Framework.

293. Review of Member/Officer Protocol

Andrew Weavers, Strategic Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The Committee was requested to review the Member/Officer Protocol, which provide da framework for the working relationship between Councillors and Officers. The Protocol had last been reviewed by the Committee at its meeting on 24 November 2020, and it was considered that no changes were necessary and the Protocol was fit for purpose. The Committee were requested to approve the Protocol and include it in the Council's Constitution.

Councillor Fox noted that the Protocol made provision for Ward and County Councillors to be kept up to date with details of consultations, public meetings or launch events in their Ward or Division, and enquired whether Officers were made aware of the Protocol. It was confirmed to the Committee that whenever the Protocol had been reviewed each year, Officers had been made aware of the update.

RESOLVED that*:* the updated Member/Officer Protocol be included in the Council's Constitution.

294. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Employees

Andrew Weavers, Strategic Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The Committee were advised that the Gifts and Hospitality Guidance for Councillors and Policy for employees were reviewed on an annual basis.

The Guidance for Councillors had been reviewed and no amendments had been made, and the Committee was therefore asked to approve the Guidance and that it be incorporated in the Council's Constitution.

The Gifts and Hospitality Policy for Employees had been reviewed and it had been updated to reflect the fact that the previous paper based record system had been moved to an online system which would make the process much simpler for employees. The Committee was requested to approve the Policy on this basis.

RESOLVED that:

1. The Guidance for Councillors regarding Gifts and Hospitality be approved and that it be included in the Council's Constitution.
2. The attached Gifts and Hospitality Policy for Employees be approved.

Colchester	Governance & Audit Committee	Item 7
	18 January 2022	

Report of	**Assistant Director for Place & Client Services**	**Authors**	**Andrew Tyrrell (CBC)** **Paul Smith (CCHL)**
Title	**Colchester Commercial Holdings Ltd (CCHL) Business Plans 2022 - 2026**		
Wards affected	**All Wards**		

1. Executive Summary

1.1 In 2017 the Council created a wholly owned company, Colchester Commercial Holdings Ltd (CCHL). Under CCHL, three subsidiary companies have provided a diverse range of trading activities since April 2018; Colchester Amphora Energy Ltd (CAEL), Colchester Amphora Homes Ltd (CAHL) and Colchester Amphora Trading Ltd (CATL).

1.2 The companies have Business Plans, which are presented to the Governance and Audit Committee annually, as the Shareholding Committee. The Governance & Audit Committee are asked to review the latest Business Plans and make recommendations to Cabinet, who will then seek to agree the new Business Plans formally in March.

1.3 In assisting the Committee, this report also reminds the shareholder committee of the governance arrangements that the Council has in place in order to monitor and review the activities of the companies. The report also provides a short summary of achievements in this, challenging, financial year and updates from the Annual Report on performance that was considered by the Committee after the end of the last financial year (2020/21).

1.4 It is a second year in which a global pandemic has drastically affected the Council and the Company activities and posed many challenges, with impacts on some forecasted timelines and finances. However, it is also a period in which there have been some significant achievements, such as the opening of the Northern Gateway Sports Park, which hosted the Women's Tour of Britain cycling event as we restored an outdoor (and indoor) events programme through this year.

1.5 The year also saw the first occupiers move in and start enjoying the first mixed-tenure housing scheme developed by Colchester Amphora Homes Ltd, whilst the significant investment secured in both Ultrafast Broadband and CCTV were both completed to provide critical infrastructure across the town.

2. Recommended Decisions

2.1 To review, and make recommendations to Cabinet on, the new draft Colchester Commercial (Holdings) Limited Business Plans for 2022-26, and the subsidiary companies; making an overall recommendation to agree the Business Plans (with or without any changes).

3. Reason for Recommended Decision

3.1 At the Annual Meeting on 23 May 2018, the Governance & Audit Committee's terms of reference were amended to include the responsibility to act as the shareholder committee for Colchester Commercial (Holdings) Limited. As part of this role the Committee is required:

- To consider and review the activities and financial performance of Colchester Commercial (Holdings) Limited and its subsidiary companies.
- To receive, review and recommend Colchester Commercial (Holdings) Limited's business plans (including its subsidiary companies) annually.
- To monitor, challenge and make recommendations to Cabinet regarding Colchester Commercial (Holdings) Limited and its subsidiary companies.
- To make recommendations to Cabinet on how it should exercise the functions flowing from its ownership of shares in Colchester Commercial (Holdings) Limited and its subsidiary companies.
- To recommend the constitution and appointment of Members to the Board of Directors, including to recommend to Cabinet the appointment of additional Directors to the Board of Colchester Commercial (Holdings) Limited.

3.2 The Report, Appendices (both public and confidential), presentation and debate collectively provide the Committee with satisfactory information regarding the companies' performance to date and, importantly, the forecasted continuation of their business over the coming years, as required to fulfil the above role.

4. Alternative Options

4.1 No alternative options are provided due to the required role of the Committee as shareholder, set out above and the ability to recommend with or without changes.

5. Background Information

5.1 Company Origins

5.1.1 The Localism Act 2011 enabled local authorities to undertake activities designed to make a profit, but only if delivered within a trading company structure. Using these powers, the Council established wholly owned companies that were incorporated under the Companies Act 2006 on 1 June 2017 and began operating from 1 April 2018.

5.1.2 The original Business Plans covered a three-year period from 2018-21 and reflected the Council's aim to create a commercial approach to activities that could deliver some services and products directly, whilst generating profits that would be reinvested in the Council to help continue to deliver non-profitmaking services with social value. This public sector ethos, at the heart of the companies, remains a core purpose that will be increasingly important as the borough, Council and companies all recover from the current global pandemic.

5.1.3 Three subsidiary companies, each with distinct areas of trading, were also formed:

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

5.2 Governance Structure

5.2.1 Good governance, accountability and transparency are essential to Council activities and a cornerstone to improving public services. In discharging this accountability, the Council is required to make proper arrangements for the governance of its companies. It was imperative that an appropriate governance structure was put in place to ensure the sound and robust management of the companies, alongside protection of the Council's financial and reputational investment in them.

5.2.2 CCHL is a private company limited by shares, with the Council being the sole shareholder. The Council consequently retains full control over the direction of the companies, manages the risks and receives the resulting financial benefits. Profits made by the company are returned to the Council after tax via an annual dividend payment although there are other financial benefits to the Council too (e.g. see 5.4 below).

5.2.3 The Board of Directors of CCHL is made up of four Councillors from the main political parties and the Managing Director of CCHL. The Chair of the Board is appointed by the Directors and is a Councillor from the coalition in Administration of Colchester Borough Council. The CCHL Board is governed by the Management and Governance Agreements between CCHL and the Amphora Subsidiaries with Colchester Borough Council. The composition of the Board of Directors and the Management and Governance Agreements ensures the Council's direction is embedded within the holding company and its subsidiaries (whilst providing freedom to operate in a commercial marketplace). This has seen the companies driving forward delivery of several activities as outlined in past Business Plans.

5.2.4 Each subsidiary also has a Board with three Directors; each with legal duties through the common law directors' duties and the statement of general directors' duties which are set out in the Companies Act 2006. These are not exhaustive in terms of the duties that are owed by a Director to an organisation. Board members are also subject to other legal duties, including many important legal obligations for making investments, disposing of property, health and safety requirements, employment laws, as examples.

5.3 Management Agreement

5.3.1 A Management Agreement between the Council and CCHL sets out how the companies will provide a range of services to the Council. The companies are then managed and monitored in accordance with the target budgets and other KPI's agreed with the Council under the Management Agreement.

5.3.2 Within the Management Agreement there is a schedule of Council and Company representatives and related arrangements for governance. Representatives meet in regular liaison meetings, where the Council, as "Client", monitors the provision of services, financial and budgetary performance, non-financial performance, and other matters set out in the Management Agreement.

5.3.3 The Management Agreement also sets out audit requirements, with the companies subject to the same audit and inspection requirements as the Council. Copies of audited accounts must also be provided to the Council. Similar requirements also exist regarding complaints, enquiries and legal proceedings related to any services provided by the companies.

5.3.4 Budgets are set in accordance with the Council budget setting process, framework, and timeframe. Submissions are made and considered as part of the overall annual Council budget process. This includes a Management Fee for services that the Council receives from the companies. This fee is set out in the Management Agreement and agreed annually, as part of the Council budget process.

5.4 Service Level Agreements (SLAs)

5.4.1 Alongside an annual dividend payment, the Council receives income from the companies rent for use of office space and other Council venues, as well as payments for services the companies receive from the Council. These services are outlined in a Service Level Agreement (SLA). The current SLA runs from 1 April 2021 to 31 March 2024 to continue these arrangements.

5.4.2 The SLA forms another part of the intrinsic partnership between the Councils companies and the services provided by the Council. The SLAs govern the respective roles and responsibilities of each party in the provision of the paid services and provide service specification and standards. The following services are commissioned from the Council by CCHL:

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

5.4.3 Performance of each service, delivery standards and any quality assurance matters are monitored at quarterly review meetings between named individuals within Council service areas and CCHL.

5.5 Achievements During 2021

5.5.1 The effects of both Covid and Brexit have continued to affect the activities of all of the Council companies, just as they have affected Council service operations. Areas particularly affected have been the events team, and development services; where some of the issues on maintaining labour, supply chains and materials have been seen nationally and well-documented.

5.5.2 Despite this continuing situation, at the end of the third quarter of the financial year, the companies again remain on track to return the estimated financial returns for the year to the Council, in the form of the dividend. This income is used within the Council's own budget, redistributed to help continue to provide important public services. However, the key achievements, in a very challenging climate, go beyond this financial return. Some examples are set out below.

5.5.3 The Northern Gateway is the Council's flagship growth area and is important to meeting the needs of Colchester for the future. It is the largest scale urban growth area that the Council has ever undertaken and provides a mixed-use urban expansion of housing, employment, commercial use, health services and leisure; to create role-modelling, place-making, outcomes and elevate Colchester's destination status for the benefit of anyone who visits, works, or lives in the borough.

5.5.4 A key milestone, the opening of the £28.8m "Northern Gateway Sports Park", occurred in May as restrictions ceased. The formal "opening" event day at the start of the school holidays in July was then very well attended and enjoyed (safely) by many hundreds of people. Since then the site has continued to establish itself and was a host venue for the 2021 Women's Tour of Britain, welcoming several Olympic and world champions with great feedback from competitors (and visitors) who will now be returning to the town from the "Grand Depart" which Colchester will be hosting on 6 June 2022 - tied in with Jubilee weekend.

5.5.5 Another milestone achieved more recently was the signing of the agreements with Turnstone Estates that will result in the start of the agreed £60m+ "Northern Gateway Leisure Park". This commercial leisure, food and drink Park will commence construction before the end of the financial year, creating a destination attraction for Colchester that is also easily accessible from the A12 and by Park and Ride connections to the town centre and rail. This development will include a 12-screen Cineworld, a 90-bed Travelodge hotel, a Hollywood Bowl tenpin bowling alley, Puttstars indoor golf centre and a Jump Street climbing centre, as well as seven restaurants, two drive-thru restaurants, a high-quality landscaped piazza, and parking for 750 cars including rapid charge electric vehicle charging points.

5.5.6 In November 2021 CATL also completed "The Walk", a core walking and cycling route to provide sustainable travel through the northern gateway south side. This car-free key priority route, provide an attractive tree-lined link to the new facilities at the opened Sports Park and the forthcoming Leisure Park from existing communities in Myland and Highwoods. It was part of an infrastructure first approach taken ahead of the delivery of the St Marks Community Centre that has now commenced redevelopment, and the 350 new homes that will be built by CAHL; ensuring that from "day one" the infrastructure is already there to encourage better travel behaviours and more sustainable living.

5.5.7 Another part of this infrastructure first approach was the continued installation of the underground chambers and pipework for the Northern Gateway Heat Network. This infrastructure was required to go under The Walk and was consequently installed at the same time, ahead of the larger network, so that this part of the works could be delivered more effectively and efficiently. It is now in situ and ready for the development of the rest of the site at a later date.

5.5.8 CAEL also completed the early feasibility on a potential Solar Farm and Microgrid at the Northern Gateway. This demonstrated what could be achieved here in future, with work now proceeding onto subsequent feasibility and viability work through 2022 with the aim of potentially developing a renewable electricity source in 2023. This was not part of the original Northern Gateway plans and could be an additional benefit that helps the Council meet its climate emergency response ambitions, whilst leading by example for others. This has some commercial sensitivities around it, and is very early in its development, so more details cannot be provided in this public report at this time.

5.5.9 Milestones were also reached, after delays previously, with the CAHL housing development that is also part of the wider "CNG South" planning application. This application unlocked progress on highway improvements and traffic decongestion that allowed it to be progressed through planning and consequently received a Committee decision to grant planning consent for the whole commercial, health and residential mixed-use developments in July. Following this, CAHL will now bring forwards 350 homes (including 30% affordable homes) and have continued to undertake more detailed work on the housing element. CAHL are currently tendering a contract for architectural services to prepare the final detailed housing scheme and progress onto commence development in 2023.

5.5.10 In addition to the important planning landmark for their largest site (at Mill Road), CAHL also saw their first homes finished at Creffield Villas, Creffield Road. The first housing development completed by the housing company was achieved in August, with several sales before the site was completed, and other then taking place quickly afterwards. The 8 hoes at this site included 2 affordable homes that the Council has acquired, which would not usually be secured at a site below 10 units (via s106 planning gain). The 6 private market homes have been built to a very high standard, and the whole development was undertaken using local contractors (from Tiptree) to provide local employment opportunities during the more uncertain earlier periods of the global pandemic.

5.5.11 In 2021 CAHL also helped the Council deliver its first new affordable homes within its own HRA-funded "New Council Housing Programme" that will deliver 350 homes by 2024. The development at Hardings Close (Aldham) saw the first of the three "Phase 2 Garage Sites" finished in July, with 4 new homes now providing for families who were on the housing needs register. Another 20 homes being project managed by CAHL, alongside CBC and CBH, will complete over the next few months. CAHL have also helped progress on the "Phase 3 garage Sites" and this is resulting in the next planning application starting to be submitted following public engagement and design stages.

5.5.12 Meanwhile, The Local Full Fibre Network (LFFN), or "Ultrafast Broadband" project, has also reached completion of the project led by CATL. This network expanded from the Town Centre and spread the core "Metronet" cabling across urban areas of Colchester to aid economic recovery and growth in the borough, with the last section along the Northern Approach road recently installed. The direct connection to Telehouse London, and the 16km of connections now available around Colchester, have led to further

significant investment by private sector partners that is now taking the connection capacity into parts of the borough that would otherwise not be provided for by the usual market provision. This phased roll out has started but will continue in a planned approach over the next couple of years now that CATL has completed its core infrastructure project for the Council.

5.5.13 The complete upgrade of the Council's CCTV network was also aligned and managed by CATL, making efficiencies in deployment of a new digital network completed at the same time as the broadband works occurred. The new digital system has been completed for several months now, with great success, and the replacement of the entire town centre CCTV system with a new digital system has given better coverage and picture quality; resulting in an increased number of CCTV-assisted arrests and contributing to a safer Colchester experience.

5.5.13 Helpline is another service that CATL have maintained throughout the pandemic as a source of reassurance to some of our more vulnerable residents, some of whom underwent periods where family support was not as possible for them as pre-Covid times. Despite the previous loss of the Essex contract that was announced (before the year started), the Helpline customer numbers have remained consistent since then by CATL's increased partnerships with the CCG and St Helena Hospice. There also remains ongoing business development work to continue to provide the vital support service.

5.5.14 The Colchester Events Team within CATL has also bounced back well from the 2021 lockdowns ending in May. Events have quickly re-established a summer programme of 45 outdoor events and attracted 58,000 visitors between May and October in a safe and enjoyable manner. Events included the "Smoke & Fire Festival", and both Olly Murs and Scouting for Girls performed in Castle park before the Oktoberfest returned. Re-established the indoor events programme also saw great success, with sell-out shows of major comedians such as John Bishop, Jason Manford, Omid Djalili, Jimmy Carr and, Sarah Millican amongst a diverse programme of shows.

5.5.15 The Old Library restoration has also now been completed, including repairs to the wheelchair lift that had been out of action under the previous tenancy, with this part of the Town Hall brought back into beneficial use to hold its first events; meaning that the public can once again access the building and enjoy it.

5.5.16 A further achievement of the events team, though one that will not be seen until this summer, is that they have also secured summer concerts for 2022. The first of these was publicly announced with Simply Red. Other great additions to the line-up are going to be announced soon

5.6 2022-26 Business Plans

5.6.1 The companies' Business Plans must be delivered in full compliance with the governance requirements of the Council. The Business Plans require the agreement of the Cabinet following recommendations from this Committee as the shareholder duties (see above).

5.6.2 The overarching Business Plan for CCHL (Colchester Commercial Holdings Ltd) reflects their holding company role in providing the strategic direction, financial performance monitoring and senior management capacity for the subsidiary companies. Although CCHL is a holding company, it does undertake some trading activities that are also set out in this overarching Business Plan.

5.6.3 As a Council-owned company, this Business Plan is shared openly and transparently as part of good governance that allows anyone to understand what the companies are designed to achieve, and the intentions over the Business Plan period(s). The subsidiary company Business Plans then add some finer details to those overarching aims, projects and workstreams; but are not shared publicly because they contain a level of detail that is sensitive information in so far as it would commercially disadvantage the intentions of the companies (e.g. with commercial competition in respective fields, in legal or financial negotiations, or during future contract tenders, etc).

5.6.4 The 2022-2026 CCHL Business Plan continues from the previous plans that had identified some growth objectives which (due to the global pandemic) have had to be realigned and, as expected, ongoing recovery in the continuing Covid pandemic is reflected in the new Business Plan. Alongside delivery of the management agreement services for the Council). The Plan sets out aims to:

- Continue to deliver against set targets
- Return to the successful ongoing series of events that help raise Colchester's profile
- Continue delivering the Colchester Northern Gateway
- Assist with the Town Deal and other capital projects
- Develop a second programme of sites for CAHL to continue building desirable homes
- Carry on assisting with the 'New Council Affordable Housing Programme' for the Council
- Complete the commenced Colchester Norther Gateway (CNG) Heat Network and explore new opportunities to develop more low carbon projects in Colchester
- Continue to explore markets for other CCHL products and services

5.6.5 The CAEL (Colchester Amphora Energy Ltd) Business Plan builds on the energy section of the CCHL Business Plan and sets out the rationale for the company activities. This has initially been focussed on the Northern Gateway Heat Network; completing successful trials, secured funding, and started to be developed on site in anticipation of the forthcoming housing, health, and commercial developments. The future3 of this project is intrinsically linked with the timings of adjacent development, which uses the Heat Network. To be able to trade and supply heat the Council needs the energy company and the Plan reflects how this may progress into operational phases as part of our commitment to the low carbon agenda and leadership in the development of 'infrastructure-first' energy solutions.

5.6.6 The resulting Northern Gateway Heat Network, which secured £3.45m of Department of Business, Enterprise and Industrial Strategy (BEIS) funding, will provide an innovative ultra-low carbon heat solution to residents, businesses, and other commercial users as part of the proposed growth planned in this part of the borough. The project will be the first of this scale in the UK and was 1 of only 9 pilot projects that gained grant funding nationally.

5.6.7 The 2022-26 CAEL Business Plan outlines future feasibility work associated with the potential Micro Grid project at the Northern Gateway and other potential activities. The CAEL Business Plan sets out intention to work closely with the Council, and other partners, to drive forward carbon reduction strategies to meet the wider climate change objectives of the Council.

5.6.8 The CAHL (Colchester Amphora Homes Ltd) Business Plan (22-26) builds on from the completion of the first housing site by the 'new' company and illustrates a continuation of the "Phase 1" developments by CAHL. It reflects the aims established in 2018: to respond to the need for more high-quality homes in the borough, including homes that are affordable for local people. This is now being achieved with developments that deliver cross subsidy mechanism with the target 30% affordable homes being provided alongside the sale of private market homes (and still creating a surplus to reinvest in other Council

priorities). The mixed-tenure homes model also provide larger housing schemes that can optimise existing assets owned by the Council, through its house building company.

5.6.9 The CAHL Business Plan sets out how the company will try to develop several other sites, including two others that were agreed by Cabinet in October 2018 (St Runwald Street and Mill Road) that remain ongoing, as well as bringing forwards plans for 'Phase 2' sites to develop a longer-term pipeline of new homes (and other beneficial development). The 'Phase 1' sites will deliver approximately 400 new homes (30% of these being affordable homes that are being retained in Council ownership using the Housing Revenue Account).

5.6.10 Finally, the Business Plan for CATL (Colchester Amphora Trading Ltd) sets out how the company continues a range of commercial trading businesses and services to customers which generate income for the Council and raise the social and economic profile of Colchester as a place. CATL's offering has two main functions.

- Direct commercial trading services, including Helpline, Monitoring and CCTV and Events.
- Professional property and business services offered initially to the Council and then to external clients as the company grows. These services include estates management of the Council's assets and commercial development and regeneration project management.

5.6.11 The CATL Business Plan highlights the trading company services' ongoing recovery from the impacts of Covid. Areas such as Events, which were expanding very successfully prior to the pandemic, were drastically affected but have started to re-establish as shown above. In the Business Plan period, events activities will continue both within and outside of the Borough, and their future growth will also focus on increasing and improving the venues and introducing new event markets for the company.

5.6.12 For Helpline, there are also new markets to be explored as the business is trading effectively and potential arises to make better use of the enhanced digital technologies. This includes the LFFN "Ultrafast Broadband" expansions that continue. That network, owned by the Council, is also included in CATL's Business Plan which sets out how the deployment stages can be developed through the subsequent operational phases this project has now entered into. The continuing private investment will expand the network even further; becoming available to the whole of urban Colchester in the new Plan period and the annual incomes resulting to the Council (as owner of the network) will increase.

5.6.13 For Development Services, CATLs Plan covers more work for the Council where CATL act as project managers, with newer projects coming forwards now that the Sports Park, Mercury Theatre and "The Walk" all completed in 2021. Whilst core capital projects, such as other Northern Gateway sites will continue, work is also being picked up as 'commissions' for other Council departments, leading to plans to seek other public sector clients.

6. Equality, Diversity and Human Rights implications

6.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to:

- eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and

- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

6.2 The recommendations will have no disproportionate impact on any protected group.

7. Strategic Plan References

7.1 Governance is integral to the delivery of the Strategic Plan's priorities and direction for the Borough as set out in that Plan. The activities of the Council's companies contribute to most of the Strategic Plan priorities.

8. Consultation

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

9. Publicity Considerations

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

10. Financial implications

10.1 In terms of overall governance, the companies operate as separate organisations with financial regulations agreed by relevant company boards. Where the companies are spending money on behalf of the Council, such as sport and leisure, capital budgets within the RIF, then all approvals are required to be in line with normal Council procedures.

10.2 In terms of the financial assumptions and dividend targets, when the companies were set up the financial targets and estimated dividend for 2018/19, 2029/20 and 2020/21 were broadly based on existing budget assumptions when services were operating within the Council and some year-on-year growth and expansion targets.

10.3 The 2018/19, 2019/20, 2020/21 and 2021/22 targets for dividend were set out in the previous CCHL business plans and council budgets assumed an increase in income until 2021 when Covid impacted. In both the first and second years of trading activities these dividend targets were met, with a £107,000 increase achieved. The third year, the dividend target was affected significantly by the unpredictable nature of Covid-19 on the world, however, a revised dividend which was agreed by the Council in mid-2020 was achieved for 2020/21 and the companies are on track to meet the target for 2021/22.

10.4 The new Business Plan for CCHL sets out how it is expecting to deliver (once again) increased dividends for the Council over the Business Plan(s) period, so that the Council can benefit from this in providing our services to the public. The first year will still be affected by the Covid-19 pandemic. For 2022-2026 the Business Plans set out a forecast as follows:

Table 1 - Group Consolidated Forecast

	2022/23	2023/24	2024/25	2025/26
Income	6,803,707	8,403,389	9,844,315	10,309,623
Expenditure	(6,462,199)	(7,046,553)	(7,594,400)	(7,938,776)
Profit before Tax	341,508	1,356,836	2,249,915	2,370,847
Tax	85,377	339,209	562,479	592,712
Net Profit available for Distribution	256,131	1,017,627	1,687,436	1,778,135

10.5 The 2022/23 Budget and Medium-Term Financial Forecast reported to 26 January 2022 Cabinet and recommended to February Budget Council assumes the dividend income set out in the table below. A proportionate element of housing dividends may be used to deliver the dividend assumptions.

	22/23 £k	23/24 £k	24/25 £k	25/26 £k
Amphora dividend assumptions	287	287	487	687

10.6 Whilst the Council pays a management fee to the companies, the companies then provide other return income to the Council (aside from the headline dividend). The companies pay rent for use of the Council office space that they occupy, they also pay for the services they receive from the Council under the SLAs, as well as paying for use of the Council's venues in order to deliver the commercial events programme.

10.7 Under a government consultation published November 2021, the Council will be required to make minimum revenue provision on advances to the companies outstanding in April 2023. More information is set out in the Resetting the Capital Programme report to 26 January 2022 Cabinet. If in force the consultation proposals would make the current system of Council advances to the companies financially unsustainable. The advances are under review pending resolution of the consultation.

10.8 Subject to the above, alternative funding strategies are to be considered. The existence of commercial companies allows the Council to access funding streams that are not available to the public sector, and for funding to be combined in projects where the Council and its companies form a partnership (each accessing their own grant or funding). This has been successfully combined in the past, and there remain other avenues that have not yet been used that could be explored in future pending the consultation outcomes.

11. Health, Wellbeing and Community Safety Implications

11.1 Health and wellbeing is influenced by several factors, many of which fall under the responsibility of the Council. The Company activities span various aspects and assist the

Council to do all it reasonably can to promote positive health benefits to our residents; whilst reducing, removing, or minimising any unintended consequences to health that may arise from services or decisions. A number of the activities outlined in the main report, and the appended Business Plans demonstrate how health and wellbeing are being improved, such as the new Colchester Northern Gateway Sports Park, or the new CCTV system.

12. Health and Safety Implications

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

13. Risk Management Implications

13.1 CCHL has a risk register that is actively managed. Each of the subsidiary companies also have their own risk register. All the companies have a Business Continuity Plan.

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

13.3 One specific issue that has arisen recently, due to Government consultation, is a potential change in the consideration of Minimum Revenue Provision (MRP) and how this may be viewed going forwards (see section 10 above). External financial advice is being taken on this specialist matter subject to the conclusions of the current consultation.

14. Environmental and Sustainability Implications

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

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

15. Appendices

PUBLIC Appendix
Appendix A: CCHL Business Plan 2022-26

CONFIDENTIAL Appendices
Appendix B: CAEL Business Plan 2022-26
Appendix C: CAHL Business Plan 2022-26
Appendix D: CATL Business Plan 2022-26

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

Colchester
COMMERCIAL HOLDINGS

Business Plan

April 2022 - March 2026

(Revised December 2021)

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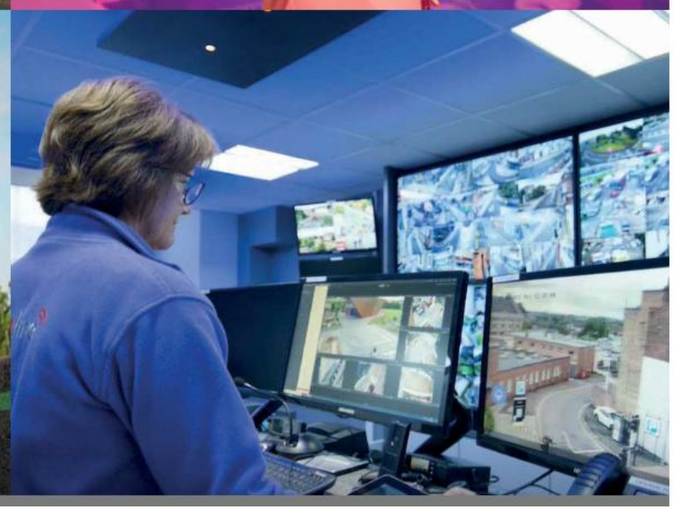


EXECUTIVE SUMMARY

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

Colchester Amphora Energy Limited
Colchester Amphora Homes Limited
Colchester Amphora Trading Limited

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

The Council will be producing a Commercial strategy which will help build on existing strengths to generate more income, reduce costs and maximise the use of Council assets. This will include investment in projects that provide good financial returns and enhancing our traded services (both within Amphora and in the Council). It will also drive the identification of new opportunities to enhance delivery of our wider strategic outcomes through commercial projects that generate income and make more effective use of resources.

OUR OBJECTIVES

Our objectives are to:

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

Supporting the Council's key priorities
CCHL supports CBC's objectives in its Strategic Plan 2020-23 to:

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

STRUCTURE AND GOVERNANCE

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

There are five board directors:

- **Cllr Leigh Tate** – Board Chair
- **Paul T Smith** – Board Director, and Managing Director
- **Cllr Martin Goss** – Board Director
- **Cllr Martin Leatherdale** – Board Director
- **Cllr Martyn Warnes** – Board Director

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

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

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

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

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

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

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

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

CBC'S GOVERNANCE & AUDIT COMMITTEE

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

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

POLICIES AND PROCEDURES

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

DATA PROTECTION

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

FREEDOM OF INFORMATION

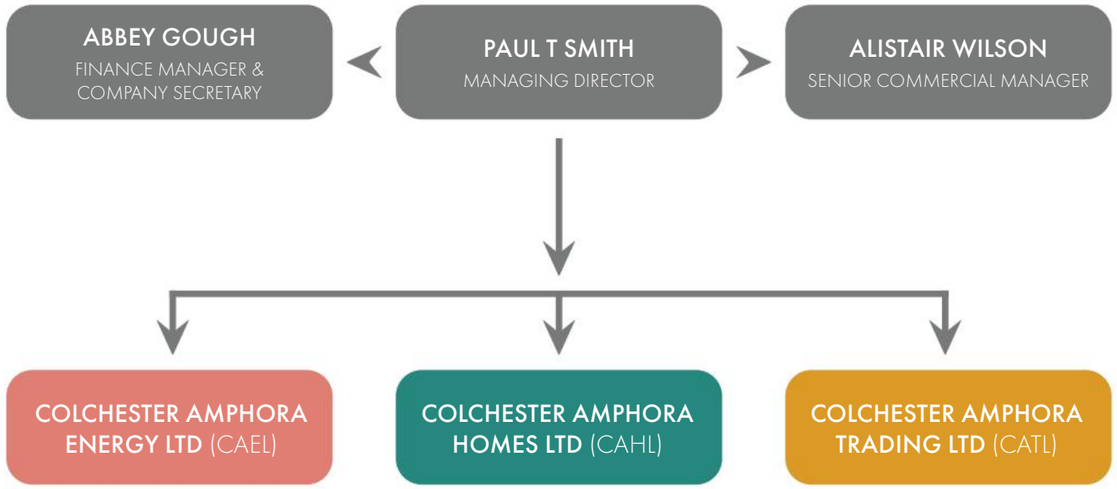
CCHL is subject to requests for the disclosure of information under the Freedom of Information Act 2000. As such, CCHL maintains a record management system that complies with the relevant guidance concerning the maintenance and management of records.

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

MANAGEMENT

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

- **Paul T Smith** – Managing Director
- **Alistair Wilson** – Senior Commercial Manager
- **Abbey Gough** – Finance Manager & Company Secretary



RESOURCES

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

SERVICE LEVEL AGREEMENTS

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

Support services cover:

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

OUR SERVICES

COLCHESTER COMMERCIAL (HOLDINGS) LTD (CCHL)

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

- New and regeneration property development
- Sustainable energy solutions
- Commercial asset management and consultancy
- Events, including weddings, outdoor events and venue hire
- Helpline care service
- CCTV monitoring
- A local full fibre network
- Commercial support to CBC's Sports and Leisure services
- Commercial development project management

COLCHESTER AMPHORA ENERGY LIMITED (CAEL)

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

SUMMARY OF CAEL'S BUSINESS PLAN: 2022-26

CAEL's current focus is on delivering a heat network for Colchester Northern Gateway. In addition, it is exploring further local revenue generating opportunities in the energy sector, such as a Micro Grid at Colchester Northern Gateway (CNG). CAEL will continue to work with the Council to develop new, low-carbon projects and provide technical expertise on renewable energy.

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COLCHESTER AMPHORA HOMES LIMITED (CAHL)

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

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

SUMMARY OF CAHL'S BUSINESS PLAN: 2022-26

CAHL will focus on the following key areas of work within the life of this plan:

- Build over 350 new homes by 2024
- Generate a net profit available for dividend to recycle back to its shareholder, CBC
- Create 30% of affordable homes on all developments delivered by CAHL
- Explore the viability of existing and future potential residential development sites
- Consider private financing to further increase development opportunities including mixed use

COLCHESTER AMPHORA TRADING LIMITED (CATL)

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

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

SUMMARY OF CATL'S BUSINESS PLAN: 2022-26

CATL will focus on the following key areas of work within this plan period, specifically:

- Accelerate the recovery from Covid-19 and the economic and cultural impact that has affected all parts of CATL's business, especially in Events.
- Maximise the Council's existing asset base (Estates/Commercial projects) and managing other key services for CBC, such as CCTV (closed circuit television) and providing commercial support to Sport and Leisure (Management Fee funded services)
- Develop and grow the company's Helpline and Events services
- Develop and operate the Local Full Fibre Network (LFFN) across Colchester, making Colchester one of the best digitally connected boroughs in the UK
- Deliver a Development Management service for CBC and promoting this service to strategic partners, demonstrating the ability to deliver complex high value capital projects on time and on budget.
- Develop key capital projects such as infrastructure, including but not limited to, roads, open space, commercial space, development opportunities and feasibility studies for capital generation.

ADDITIONAL BENEFITS TO THE COUNCIL

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

- Interest rate differential between CBC borrowing interest rate and the commercial rate to CCHL
- A Local Full Fibre Network commercialised income
- Employers pension cost savings against the local authority pension scheme
- CBC property leasing agreements
- Annual license income for each events venue
- VAT recoverable on construction projects
- Cost effective project management fees
- Expert and technical advice to CBC's climate change projects
- A dedicated asset management team that has generated £2m of capital receipts since 2017
- Showcasing innovation and partnership via national awards programmes

Business and economic benefits to Colchester

- All residential development includes 30% Affordable Housing
- An increase in car park income, generating from 158,000 visitors to CATL organised events
- A wider economic benefit to hospitality and retail from impact of large-scale events with substantial increase in visitor numbers frequenting the town's restaurants, pubs and hotels

ACHIEVEMENT AWARDS 2020 WINNER THE MJ

LGC Awards 2020 WINNER

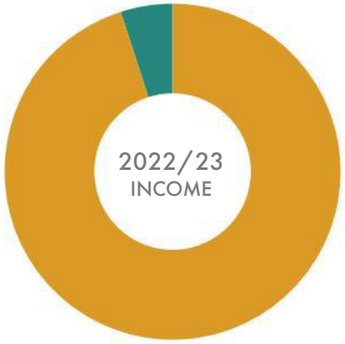
FINANCIAL PROJECTIONS

Group Consolidated Forecast

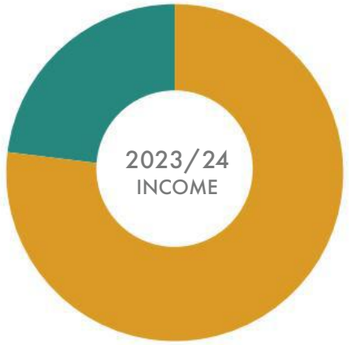
The table below provides a summary of CCHL's income and expenditure forecast for the next five years.

Expenditure Profit before tax

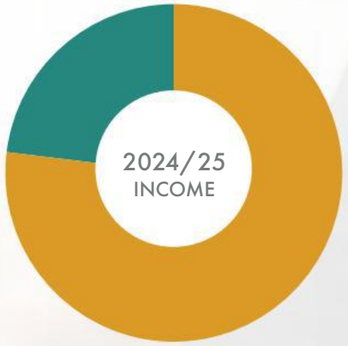
Income:	£6,269,387
Expenditure:	£6,131,401
Profit before tax:	£137,986
Tax:	£26,217
Profit available for distribution:	£111,769



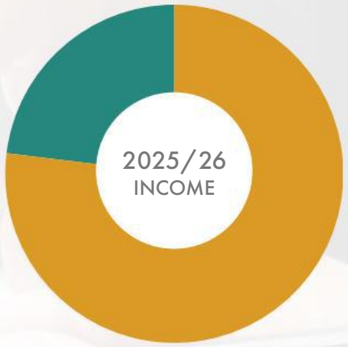
Income:	£6,803,707
Expenditure:	£6,462,199
Profit before tax:	£341,508
Tax:	£85,377
Profit available for distribution:	£256,131



Income:	£8,403,389
Expenditure:	£7,046,533
Profit before tax:	£1,356,836
Tax:	£339,209
Profit available for distribution:	£1,017,627



Income:	£9,844,315
Expenditure:	£7,594,400
Profit before tax:	£2,249,915
Tax:	£562,479
Profit available for distribution:	£1,687,436



Income:	£10,309,623
Expenditure:	£7,938,776
Profit before tax:	£2,370,847
Tax:	£592,712
Profit available for distribution:	£1,778,135

www.colchesteramphora.com

Colchester	Governance and Audit Committee 18 January 2022	Item **8**

Report of	**Chief Operating Officer**	**Author**	**Paul Cook** **505861**
Title	**External audit 2020/21 and new arrangements 2021/22 onwards**		
Wards affected	All		

1 Executive Summary

1.1 To update the Committee on further delays to the 2020/21 audit.

1.2 Government announced 16 December 2021 changes to external audit from 2021/22 accounts onwards

2 Recommended Decision

2.1 To approve the revise 2020/21 audit timetable set out in Section 5 below.

2.2 To note the revised audit requirements from 2021/22 accounts onwards set out in Section 7 below.

3 Reason for Recommended Decision

3.1 These are statutory external audit requirements.

4 Alternative Options

4.1 None.

5 2020/21 Audit Timetable

5.1 The Council has been working with our external auditors BDO to complete the audit of the 2020/21 statement of accounts.

5.2 The Head of Finance published the draft Statement of Accounts on 11 June 2021. The period of public audit rights was commenced following approval of the Annual Governance Statement by the 22 June 2021 Committee. It was expected that the accounts with audit opinion would be available to the 7 September 2021 Committee.

5.3 At the 7 September 2021 Committee a revised timetable of accounts with audit opinion to the 23 November 2021 Committee was agreed.

5.4 Following delays in the audit, the accounts with audit opinion did not go forward to 23 November 2021 Committee and it was agreed with BDO to work towards the 18 January 2022 Committee.

5.5 Following further audit delays the audit opinion is not ready for the 18 January 2022 Committee. The Council is now working with BDO to report to the 8 March 2022 Committee.

5.6 Under current National Audit Office guidance BDO have three months from giving their audit opinion to make their 2020-21 use of resources judgment on the Council. The judgement is not expected to be available in time for the 8 March Committee and will need to be received in the new Municipal Year.

5.7 Section 6 below sets out BDO's explanation of the audit delays.

5.8 Staffing issues at BDO have undoubtedly impacted on the audit timetable. At 31 December 2021 there remained a number of audit requests to the Council yet to be resolved to BDO's satisfaction. It is not considered by the Head of Finance that these issues will have a material impact on the Council's financial position.

6 BDO

6.1 BDO will update on the 2020/21 audit at the meeting.

7 External Audit changes announced 16 December 2021

7.1 On 16 December 2021 the Government announced external audit changes as set out in the table.

Measure	Comments
For audit firms	
FRC to publish updated Key Audit Partner (KAP) guidance by spring 2022, including new routes for an experienced Registered Individual to become a KAP Work with CIPFA to further develop the proposal for a new local audit training diploma in local government financial reporting and management aimed at different levels of auditor, and a new technical advisory service that could provide support to firms, and in particular new entrants	No comments
Measures relating to local bodies and quality of accounts preparation	
DLUHC to provide further funding of £45 million over the course of next Spending Review period to support local bodies with the costs of	The Colchester allocation yet to be advised. Any additional funding likely

strengthening their financial reporting, new burdens related to appointment of independent members and other Redmond recommendations and increased auditing requirements.	to be required for increased audit fees.
CIPFA to publish strengthened guidance on audit committees by April 2022. The guidance will emphasise the role that audit committees should have in ensuring accounts are prepared to a high standard, alongside broader changes including appointment of independent members. Following consultation, consider making the guidance, committees and the independent member statutory	Once published the proposed arrangements will be brought forward to the Committee to enable a consultation response.
DLUHC to provide via the Local Government Association sector grant for a number of targeted training events for audit committee chairs	No comments
Proposed measures relating to accounting and audit requirements	
NAO rolling over of amendments to 20/21 AGN 03 and 07 to allow for altering the timing of elements on the VfM arrangements work and enable more focus on fully delivering opinions on the financial statements	At least for 2021/22 auditors will again have 3 months from giving their opinion on the accounts to make the use of resources judgement – see table. Ideally the judgment should be simultaneous with the audit opinion.
CIPFA/LASAAC is undertaking a project to improve the presentation of local authority accounts to inform the development of the 22/23 Accounting Code and comply with IFRS and statutory accounting principles HMT to undertake thematic review of financial reporting valuations for non-investment properties to inform development of the Accounting Code from 22/23 onwards	Property valuations have been a complex area of preparing the financial statements. Any simplification would be welcomed.
The government has asked CIPFA/LASAAC to consider the merits of a time-limited change to the Accounting Code for 21/22	Welcomed to reduce technical detail that is of little use to accounts users.

Delaying implementation of standardised statements and associated audit requirements	No comments
Longer-term measures to help stabilise the market and address long-term supply issues	
PSAA to progress their proposed procurement strategy for the next round of local audit contracts from 2023/24	Noted
Extending the deadline for publishing audited local authority accounts to 30 November 2022 for 21/22 accounts and the 30 September date for 5 years from 2023/24 – 2027/28.	This is unsatisfactory from a public accountability perspective. Revision of the deadlines does not guarantee their delivery.
NAO to prepare for a re-laying of the Code of Audit Practice 2020 in parliament, so that it will apply for the whole of the next appointing period	Noted
Developing an industry-led workforce strategy, working with the system leader and audit firms, to consider the future pipeline of local audits, and associated questions related to training and qualifications	No comments

Audit Element	2018-19 last year pre Covid	2020-21 Accounts (Timings extended because of Covid)	2021-22 Accounts	2022-23 Accounts onwards
Publish draft and commence inspection	On or before first working day of June	On or before first working day of August	?	?
Publication of accounts with opinion if available	31 July	30 Sep	30 Nov	30 Sep
Publication of CBC accounts with opinion actual	30 July	Mar 22?	?	?

7.2 Spare

8 Risk Management Implications

8.1 None specific.

9 Financial implications

9.1 As set out in the report.

10 Environmental and Climate Change Implications

10.1 All budget measures are assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's recovery planning and a core theme of the new Strategic Plan.

11 Equality and Diversity Implications

11.1 Consideration will be given to equality and diversity issues in respect of budget changes proposed as part of the budget process. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

12 Other Standard References

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

COLCHESTER	**Governance & Audit Committee**		**Item 9**
	18 January 2022		
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 2020/21 Annual Governance Statement (AGS), which was reported to the Governance and Audit Committee in June 2021. The report included an action plan for issues to be resolved during the current financial year (2021/22).

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 2020/21 has not raised any concerns with the Annual Governance Statement or the action plan.

2. Recommended Decision

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

3. Reason for Recommended Decision

3.1 Part 2 (3 & 6) of the Accounts and Audit Regulations 2015 requires the Council to ensure that it operates a sound system of internal control and to conduct an annual review of the effectiveness of its governance and internal control arrangements. The findings from this review, the Annual Governance Statement, must be reported to and approved by committee before being signed by the Leader of the Council and the Chief Executive, and then published for public inspection.

3.2 The regulations require the statement to be accompanied by an action plan for improving any issues identified. The CIPFA/SOLACE ‘Good Governance’ guidance highlights that the annual governance review should be a robust ongoing assessment, not just an annual year end exercise. Therefore, it is essential to ensure that governance issues are considered during the year, and it was agreed that an interim report regarding progress against the action plan would be provided to this committee

4. Alternative Options

4.1 There are no alternative options to consider

5. Equality, Diversity and Human Rights implications

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

6. Strategic Plan References

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

7. Risk Management Implications

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

8. Environmental and Sustainability Implications

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

9.1 Other Standard References

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

10. Appendices

10.1 Appendix A – Annual Governance Statement Action Plan for 2021/22, updated Dec 21.

Colchester Borough Council
Annual Governance Statement – Action Plan for 2021/22
Interim Review December 2021

Significant Internal Control Issues – Relating to 2020/21 Financial Year

No.	Issue	Action	Due Date	Responsible Officer	Position Update
1	The Council, like many other organisations, was subjected to deliberate attempts to disrupt its IT processes and potentially access information during the year. The attempts were successfully defeated, however they did highlight some weaknesses in the controls around IT usage. It is also acknowledged that cyber-attacks will continue to evolve, and the system controls will need to be constantly refined to be able to provide adequate defence against them.	A review of system controls is already completed after any attempted cyber-attack, and any necessary changes are immediately implemented to resolve any weaknesses. However, resources need to be dedicated to ensuring that controls are continuously reviewed and developed to guard against new methods of attack.	31/10/21	Head of Corporate & Improvement Services	A Cyber Maturity audit is underway, with a follow up meeting with the auditor booked for Dec 2021. The results should help us assess our processes and procedures, to show if we are adapting appropriately We are also, through ICT, talking to suppliers about SIEM systems, which is a system the Council requires to help monitor its infrastructure. These systems are an essential additional investment in improving cyber defences.
2	The response to the pandemic highlighted the importance of effective partnership arrangements. This has included joint planning to alleviate acute health and social care service pressures, partnerships providing business support to help with local economic recovery, and the delivery of community support across multiple agencies, including NHS partners and the community and voluntary sector (CVS). The Annual Governance Statement and Strategic Risk Register acknowledge the essential role of partnerships, but these have not been reviewed considering the Covid pandemic and the Council's strategic priorities and risks.	A review of the Council's partnership arrangements, including partnerships considered strategically important to the delivery of the Council's strategic priorities, is undertaken.	31/12/21	Chief Operating Officer	The review of the Council's partnership arrangements has confirmed key relationships and delivery objectives. The impact of the Health and Care Act has made the ICS statutory, strengthening the NEE Alliance with integrated neighbourhood teams being rolled-out and clearer accountability arrangements with local government. The forthcoming Integration White Paper and the Levelling Up White Paper (now expected in January) will see further significant shifts in our partnership context. The Senior Management Team will continue to update and refine our partnership arrangements during Quarter 4 2021/22.

Colchester

Governance and Audit Committee

Item **10**

18 January 2022

Report of	**Assistant Director of Corporate & Improvement Services**	**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 to 30 September 2021.

1.2 The Council has a comprehensive risk management process that is embedded across the organisation. This includes a strategic risk register, which is the responsibility of the senior management team, operational risk registers which are produced by each service and specific risk mitigation initiatives.

1.3 The key strategic risks are:

- The ongoing, and recovery, impacts of the COVID-19 pandemic.
- Council funding for 2022/23.
- Cyber security and potential attacks.
- Staff wellbeing.

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 2021.

2.2 Consider and comment on the current strategic risk register.

3. Reason for Recommended Decision

3.1 The Risk Management Strategy, which forms part of the policy framework, identifies the Governance and Audit Committee as being responsible for reviewing the effectiveness of the risk management process and reporting critical items to cabinet as necessary.

3.2 Six monthly progress reports, detailing work undertaken and current issues, are provided to assist with this responsibility.

4. Alternative Options

4.1 There are no alternative options to consider.

5. Background Information

5.1 The aim of the Council is to adopt best practice in the identification, evaluation, cost-effective control and monitoring of risks across all processes, to ensure that risks are properly considered and reduced as far as practicable.

5.2 In broad terms risks are split into three categories:
- Strategic – those risks relating to the long-term goals of the Council
- Operational – risks related to the day-to-day operation of services
- Project – the delivery risks of specific initiatives.

5.3 Identified risks, in all three categories, are judged against levels of probability and impact to give them an overall score. This allows the risks to be shown as 'high, medium or low' which enables a prioritised action plan to be set for managing risks. A high score does not mean that a risk has, or will definitely, occur.

5.4 In many cases the causes of risks are outside of the Council's control, such as general economic issues. The Council cannot stop these risks from occurring (the probability score) but can put plans in place to mitigate against their effect if they occur (the impact score). Likewise, there are occasions that risks can be reduced with preventative actions but there is not much that can be done to mitigate their effect if they do occur, such as a failure to protect public resources. Therefore, some risks will tend to maintain the same score, regardless of the controls that the Council puts in place.

6. Work undertaken during the period

6.1 A significant amount of the physical risk management activity during the period has been in relation to the Covid-19 pandemic. The key functions of business continuity, emergency planning and health and safety form part of the risk management framework, and risk assessments and advice continue to be provided in relation to both strategic forward planning and operational activities such as safe working environments.

6.2 Following on from the revised format of the strategic risk register, further work has been undertaken to strengthen the risk management processes, including a review of the Council's risk appetite and assessment of the maturity level of the function.

6.3 A Risk Management training session was provided to Members, and further training sessions are being developed for officers.

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 2021, 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 2021.

7.2 The following risks were amended as a result of the review:

- Risk ST4, the ongoing, and recovery, impacts of the COVID-19 pandemic. The impact was increased to 4 (from 3) to reflect the current infection situation. This has resulted in the residual risk now being rated as very high (previously high).

- Risk SP3, Cyber security. The probability has increased to 4 (from 3) as a result of the national increase in cases and sophistication, which rates the residual risk as high (instead of medium).

- Risk SP5, Staff Wellbeing. The continuing impact of the pandemic has resulted in many staff reaching their personal resilience levels, and therefore the probability of the initial risk has been increased to 4 (from 3) and the probability of the residual risk has also increased to 4 (from 2). The impact scores have remained the same. The residual risk is now rated as high (previously medium).

- Risk SP4, Compliance. It is considered that the Council's internal control systems are operating effectively and therefore the probability of compliance breaches has reduced to 2, from three, bringing the risk level down to medium (previously high).

- Risk CO3, Financial Equality. It is felt that the changes implemented in the Customer team, to focus on financial and employment support for customers, has prevented the need for crisis intervention in many cases. This is demonstrated by the Council Tax collection rates remaining steady throughout the pandemic. Therefore, the impact has been reduced to 2, from 4, resulting in a residual risk rating of medium (previously high).

8. Equality, Diversity and Human Rights implications

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

9. Strategic Plan References

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

10. Risk Management Implications

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

11. Environmental and Sustainability Implications

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

12. Other Standard References

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

Appendices

Appendix A – The strategic risk register
Appendix B – Strategic risk register score matrix

Colchester Borough Council Strategic Risk Register
Agreed by PMB Dec 2021

					Initial Score							Residual Score		
Ref	**Risk Title**	**Strategic Plan / Recovery Strand link**	**Description**	**Score Category**	**P**	**I**	**O**	**RATING**	**Consequences**	**Mitigation**	**Lead**	**P**	**I**	**O**
ST4	Covid-19 Pandemic	Service Provision	The impacts of the COVID-19 pandemic on the council, the community, our customers and the economy. Especially the uncertainity of planning for future service delivery alongside the threat of further infection waves / restrictions plus potential seasonal illnesses such as winter flu.	Service Delivery	5	4	20	Very High	The ongoing and future impacts of the COVID-19 pandemic including service and staff resilience and shortages, including through self-isolation, additional service pressures, short term changes in policy and alert status disrupting delivery of strategic priorities, impacts on service delivery with additional cost pressures and potentially reduced income levels alongside additional work to support recovery.	Delivery of the revised Strategic Plan which incorporates recovery objectives and additional burdens (e.g. outbreak controls). Specific recovery actions, including Reopening of the High Street, being monitored through the project management process. Maximise the use of available government support including income loss grant. The Omicron variant is increasing case numbers and the income support grant has ended. There is no guarantee that income will be protected if there are further lockdowns.	Chief Operating Officer	4	4	16
ST2	Spending Power	FInance	Following two single-year spending reviews in 2021 the Goverment is committed to a Comprehensive Spending Review in 2021. This will impact on Council funding for 2022/23, with the Ministry for Housing, Communities and Local Government not one of the departments with 'protected' departmenal expenditure limits (DEL).	Finance	4	4	16	Very High	Changes could be favourable or adverse for the Council's funding. If adverse, the Council could lose the opportunity to develop further, may have enforced changes to service delivery and covid recovery. Adverse impact on local residents / resources. Missed opportunities to boost local economy. Conflict between Council / Government agendas. Reduction in levels of service provision and potential withdrawal of services.	Maintain a constant review of the budget situation, including the impact of decisions from central government. Identify additional actions and areas for increasing income as necessary, including through the Council's Transformation Programme. Reduce reliance on New Homes Bonus to support the base budget. Lobby Government for a fair, multi-year funding settlement.	Chief Operating Officer	4	3	12

					Initial Score							Residual Score		
Ref	Risk Title	Strategic Plan / Recovery Strand link	Description	Score Category	P	I	O	RATING	Consequences	Mitigation	Lead	P	I	O
SP3	Cyber Security	Service Provision	The Council suffers a successful cyber attack on it's computer systems. There has been an increasing frequency of national attacks, including on Tendring DC in Dec 21. The ever increasing sophistication of phishing attacks increases the likelihood of officers and members inadvertantly opening malware emails.	Technolog y	4	4	16	Very High	Potentially severe disruption to core services, with financial, legal and reputational impacts for the Council, and potentially significant harm caused to residents.	Ongoing review of IT policies and protocols to ensure that they are fit for purpose and implement a training program for all staff and members.Implementing defined action plans to rapidly respond to any attacks on our systems to help minimise any potential damage. CBC suffered a targeted cyber attack in December 2020, which was successful in breaching the security protocols. However the activation of the rapid response plans to lock accounts, reset all passwords and introduce new measures (including multi factor authentication for all users) were effective in limiting the impact and demonstrated the effectiveness of the mitigation measures in place.	Assistant Director, Corporate & Improvement	4	3	12
SP5	Staff Wellbeing	Service Provision	The sustained response to the pandemic to ensure continued (and additional) service delivery, results in staff reaching their personal resilience levels, leading to physical impacts on individual officers and organisational fatigue.	Resources	4	4	16	Very High	An unwarranted sense of 'personal failure' for some staff who put pressure on themselves to perfom at a certain level, that is not sustainable. Decline in service performance. Efficiency and productivity reduction. Inability to meet changing requirements and needs. Insufficient capacity to deliver the transformation programme. Customer perceptions decline as we deliver less. Loss of key staff. There are staff who would be considered as some of the Councils vulnerable residents (in terms of financial resilience), thereby increasing the pressure on them from both work and personal perspectives.	Monitor staff morale and trends using staff surveys and by monitoring the People Dashboard; and ensure good communications with staff, exploiting new technologies such as yammer. Implement the action plan for the People Strategy; ensuring that performance is regularly monitored. Regularly report the progress of the learning and development strategy, including financial considerations and business behaviours, and exploring training alternatives. Use it as an opportunity to review individuals in the community who could be retrained and reskilled, using processes such as supported internships. Ensure that all staff are reminded of the Employee Assistance Programme on a regular basis and are enabled to have 'safe conversations' with managers or other designated officers about concerns and issues.	Assistant Director, Corporate & Improvement	4	3	12

					Initial Score							Residual Score		
Ref	**Risk Title**	**Strategic Plan / Recovery Strand link**	**Description**	**Score Category**	**P**	**I**	**O**	**RATING**	**Consequences**	**Mitigation**	**Lead**	**P**	**I**	**O**
CO1	Partnership Delivery	Community	Failure or inappropriate performance management of one or more strategic partnerships or key contracts E.g. LEP, CBH, Anchor Network, North East Essex Alliance, Emergency Services	Corporate Objectives	3	4	12	High	The cost of service delivery is increased however quality decreases. Failure to deliver key priorities. Reputational and financial loss by the Authority. Failure to deliver expected outcomes through partnerships. Requirement to repay external funding granted to partnership – taking on the liabilities of the 'withdrawn' partner. External assessment of the Councils partnerships are critical and score	Review the assessment process for proposed strategic partnerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT before commitment to new partnerships is made.	Strategic Director, Customers and Relations	3	3	9
ST3	Partnership Commitment	Strategic	Change of direction / policy within key partner organisation and they revise input / withdraw from projects. Increased risk due to partners having to review service provision in response to the impacts of Covid-19 on their business.	Corporate Objectives	4	3	12	High	The cost of service delivery is increased however quality decreases. Failure to deliver key priorities. Reputational and financial loss by the Authority. Failure to deliver expected outcomes through partnerships. Requirement to repay external funding granted to partnership – taking on the liabilities of the 'withdrawn' partner. External assessment of the Councils	Set a formal relationship / performance review process to be used by all partnerships and ensure results are reported to senior management. Ensure that Exec Board and Leadership review partnerships on a regular basis. Embed Scrutiny Cttee process for key partnerships including CBH and the Safer Colchester Partnership.	Strategic Director, Customers and Relations & Strategic Director, Policy & Place	3	3	9
CO2	CBC Function	Community	The expectation remains that the Council will step in to deliver services when other providers either fail or reduce service provision	Resources	4	3	12	High	The Council suffers from a loss of reputation as customers' expectations are not met. There is increased demand on existing services leading to a reduction in standards of delivery.	Ensure that Cabinet set a clear and consistent message about the role of CBC for customers and partners.	Strategic Director, Customers and Relations	3	3	9
CM1	Service Innovation	Service Delivery	Not taking or creating opportunities to maximise the efficient delivery of services through shared provision, partnerships or commercial delivery	Corporate Objectives	4	3	12	High	If not properly managed then either the Council could lose the opportunity to develop further or may have enforced changes to service delivery. Adverse impact on local residents / resources. Missed opportunities to	Clear approach and 'roadmap' for transforming the Council including an 'innovation' strand, monitored by the Senior Management Team and reported to Cabinet as part of the budget process.	Strategic Director, Policy & Place	3	3	9

					Initial Score							Residual Score		
Ref	**Risk Title**	**Strategic Plan / Recovery Strand link**	**Description**	**Score Category**	**P**	**I**	**O**	**RATING**	**Consequences**	**Mitigation**	**Lead**	**P**	**I**	**O**
SP4	Compliance	Finance	Failure to protect public funds and resources – ineffective probity / monitoring systems/legislative breaches. Especially as a result of the rapid changes in service delivery required to respond to the impacts of Covid-19	Finance	3	5	15	Very High	Service delivery failure. Financial and reputational loss by the Authority. Personal liability of Officers and Members. Legal actions against the Council. Loss of stakeholder confidence in the Borough. Inability to sustain costs. Failure to delivere balanced budget as planned. A need to use balances / reserves or to adapt financial plans to deal with impact of changes. Required to use Reserves & Resources to fund capital priorities. Severe impact on cash-flow leading to negative effect on performance targets.	Ensure the outcomes of the assurance systems that form the internal control environment, (including Internal Audit, Risk Management, Budget process, Corporate Governance and performance management) are appropriately reported so that issues and concerns are managed, and variances are spotted at an early stage. Horizon scanning upcoming legislative / policy changes. The current Internal Audit reviews are demonstrating that systems are operating effectively, and there were no adverse impacts of the operating changes implemented to respond to the pandemic.	Chief Operating Officer	2	4	8
SP1	Data Protection	Service Provision	Sensitive data, in any format, is not correctly managed, processed or protected from loss or theft in line with GDPR and Data Protection Act requirements.	Technology & Data	3	4	12	High	Potentially severe disruption to core services and/or data theft, with financial, legal and reputational impacts for the Council, and potentially significant harm caused to residents from any breach, potential financial losses, directly or indirectly e.g. ICO fines.	Ongoing review of data security policies and protocols to ensure that they are fit for purpose and implement a training program for all staff and members as required. Provision of secure CBC devices to staff and Members.	Chief Operating Officer	2	4	8
PR1	Budget Strategy	Finance	Inability to deliver the budget strategy as planned.	Finance	3	4	12	High	Failure to deliver the planned budget. Unplanned additional use of balances / reserves or to adapt financial plans to deal with impact of changes.May be a need to make in-year budget and service changes.	Ensure effective use of the controls built into the annual budget strategy, to enable the organisation to respond quickly to changes. Regular monitoring of actual spend/income and sensitivity analysis to consider the impact on income streams and the capacity of the organisation to deliver services. Regular and open reporting and updating of the budget position through Cabinet, prudent use of reserves where necessary to mitigate in-year losses. Transformation Programme established early in 2021 to contribute savings to balance the 22/23 and future year's budgets.	Chief Operating Officer	2	4	8

					Initial Score							Residual Score		
Ref	**Risk Title**	**Strategic Plan / Recovery Strand link**	**Description**	**Score Category**	**P**	**I**	**O**	**RATING**	**Consequences**	**Mitigation**	**Lead**	**P**	**I**	**O**
OP1	ICT	Operational	Major system failure causing significant service disruption	Technology & Data	2	5	10	High	The accelerated use of technology in 2020 and increasing reliance on IT to continue normal business leaves the Council potentially vulnerable to any major system failure, across all service areas.	Continue to shift any remaining legacy systems into more resilient, cloud-based solutions in line with ICT strategy. Ensure that the IT Disaster Recovery plan, and service plans, adequately reflect the organisation's requirements and provide an effective framework for maintaining service provision. Regularly review the IT development strategy to ensure it continues to support the organisations ambitions and provides appropriate safeguards for IT service delivery.	Assistant Director, Corporate & Improvement	2	4	8
CO3	Financial Inequality	Community	The current, and future, impacts of Covid 19 are likley to increase the number of vulnerable residents leading to greater financial inequality and increasing the number of residents seeking support from the Council.	Resources	3	4	12	High	The Council fails to support our most vulnerable residents leading to an increase in crisis intervention.	Regularly monitor the impact of the resources allocated to supporting customers to ensure that they are signposted to appropriate providers/partners. During the pandemic the in-person customer support team have refocused to a financial and employment team, who support residents with financial and employment needs. They provide the covid support systems as well as general welfare support, helping customers to appy for income entitlements from other agencies such as Personal Independant Payments, including supporting them with tribunals and appeals. CBH also provide a welfare support service.They are working to target customers who may not be aware of the service, working with other council services to identify residents who may benefit from the support. Colchester is recognised as a leader in providing this suport. The Council Tax collection rates have been maintained throughout the pandemic, demonstrating the success of the support for those on low incomes.	Strategic Director, Customers and Relations	3	2	6

					Initial Score							Residual Score		
Ref	Risk Title	Strategic Plan / Recovery Strand link	Description	Score Category	P	I	O	RATING	Consequences	Mitigation	Lead	P	I	O
EF1	Capacity	Efficiency	The Capital programme contains more projects than the Council has the ability to deliver due to limited resources including specialist staff.	Corporate Objectives	3	3	9	Medium	The Borough Council is unable to deliver the priorities as set out in the strategic plan and key projects are delayed, increase in cost or fail to be delivered. Inability to leverage additaional resources.	Manage the recruitment and development processes to ensure that the organisation has the appropriate skills and expertise. Frequently review the Capital Programme to ensure that programmes are realistic and deliverable with available resources and / or identify any additional resources required to deliver key projects. Agile methodology enables project scopes to be adjusted through effective governance processes. Establishment of the Capital Programme Steering Group (informal Cabinet) to oversee the entire capital programme and address any capacity and other risks before they become issues.	Assistant Director, Corporate & Improvement	3	2	6

Appendix 2

RISK MATRIX
Agreed by PMB Dec 2021

Low Risks	Medium Risks	High Risks

Initial Score Matrix

Scoring 1-5

Risk Tolerance Line

Probability of Occurance	1 Very Low	2 Low	3 Medium	4 High	5 Very high
5 Very High				ST4	
4 High			CM1, CO2, ST3	SP3, ST2, SP5	
3 Medium			CO5, EF1	CO3, PR1, CO1, SP1	SP4
2 Low					OP1
1 Very Low					

Severity of Impact

Residual Score Matrix

Scoring 1-5

Risk Tolerance Line

Probability of Occurance	1 Very Low	2 Low	3 Medium	4 High	5 Very high
5 Very High					
4 High			SP3, SP5, ST2	ST4	
3 Medium		EF1, CO3	CM1, CO1, CO2, ST3		
2 Low			CO5	SP4, SP1, PR1, OP1	
1 Very Low					

Severity of Impact

COLCHESTER	**Governance and Audit Committee**		**Item 11**
	18 January 2022		
Report of	**Assistant Director of Policy & Corporate**	**Author**	**Hayley McGrath ☏ 508902**
Title	**Mid-Year Internal Audit Assurance Report 2021/22**		
Wards affected	Not applicable		

1.0 Executive Summary

1.1 The report set out in Appendix 1 summarises the performance of Internal Audit, and details the audits undertaken, between 1 April and 30 November 2021.

1.2 The key messages from the report are:

- Despite the continuing impact of the pandemic the Internal Audit contractor was able to ensure that an effective internal audit service was provided during the first half of the 2021/22 financial year.
- Eight out of the ten audits completed have achieved a substantial assurance rating (previously classed as 'full assurance').
- One audit was a stipulation of a funding agreement and was a verification of the spend, therefore there was no formal assurance assessment or recommendations.
- The remaining audits achieved a reasonable assurance.
- There were no audits completed that resulted in a limited or no assurance rating.
- Two priority 2 and four priority 3 recommendations have been made. All recommendations have been accepted by management, with management action plans in place and being monitored.

2.0 Recommended Decision

2.1 To review and comment on:

- Internal audit activity for the period 1 April – 30 November 2021.

3.0 Reason for Recommended Decision

3.1. The Accounts and Audit Regulations 2015 require that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Internal audit is a key element of the Council's corporate governance framework. Robust implementation of audit recommendations gives assurance to members and management that services are operating effectively, efficiently and economically and in accordance with legislative requirements and professional standards.

4.0 Alternative Options

4.1 None.

5.0 Background Information

5.1 The Council changed internal audit supplier in April 2020, to TIAA, and they have provided a mid-year report attached at appendix 1. This details the audits that have been carried out and a summary of work completed against the plan for the year. The report also includes a section highlighting current key issues in the general auditing environment for information.

5.2 Whilst the majority of terminology is the same as used by the previous auditors there are some differences to the definition of the assurance levels and recommendations. As a reminder these are set out in the tables below:

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

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

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

6.0 Strategic Plan Implications

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

7.0 Risk Management Implications

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

8.0 Environmental and Sustainability Implications

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

9.0 Other Standard References

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

tiaa

Internal Audit

FINAL

Colchester Borough Council

Summary Internal Controls Assurance (SICA) Report

2021/22

December 2021

Summary Internal Controls Assurance

Introduction

1. This summary controls assurance midyear report provides the Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Colchester Borough Council as at 30th November 2021. Whilst the midyear report would normally cover up to the end of September 2021, the report includes progress made to up end of November 2021.

Internal Audit Planned Coverage, Output and Key Messages

2. The 2021/22 Annual Audit Plan approved by the committee was for 300 days of internal audit coverage in the year. Good progress has been made, with a total of 148 days having been delivered as at 30 November 2021. Our progress against the Annual Plan for 2021/22 is set out in Appendix B.

3. The plan consists of a mix of assurance and appraisal reviews, with reports being generated for all audits carried out. This report outlines a summary of the audits, with more detailed information regarding the assurance reports, as set out in Appendix A.

4. Progress is being made to implement and verify outstanding recommendations, as the year progresses this will require further management input.

Audits completed between 1 April and 30 November 2021

5. TIAA completed 10 audits in the period to 30 November 2021 with three audits in progress. The audits were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve Colchester Borough Council's objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key risks was provided.

Summary of audits completed in the period

Assurance Assessments	Number of Reviews
Substantial Assurance	8
Reasonable Assurance	1
Limited Assurance	0
No Assurance	0

Summary of recommendations raised in the period

Urgent	Important	Routine	OEM
0	2	4	2

**The Culture recovery fund audit does not require an assurance therefore not included in the table*

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

Audits completed since the last SICA report to the Audit Committee

6. The table below sets out details of audits finalised since the previous meeting of the Audit Committee.

Audits completed since previous SICA report

		Key Dates			Number of Recommendations			
Review	**Evaluation**	**Draft issued**	**Responses Received**	**Final issued**	**1**	**2**	**3**	**OEM**
Working with Volunteers and Police (Partnership services and Community safety)	Substantial	25/06/2021	29/06/2021	07/07/2021	0	0	0	0
Land Charges	Substantial	02/08/2021	02/08/2021	04/08/2021	0	0	0	0
Performance Management (including staff training)	Reasonable	19/07/2021	28/07/2021	03/08/2021	0	2	0	0
Tendring Colchester Borders Project	Substantial	15/10/2021	-	-	0	0	0	0
Homelessness – Impact of COVID	Substantial	06/10/2021	26/10/2021	28/10/2021	0	0	1	0
COVID Discretionary Grant	Substantial	02/08/2021	-	-	0	0	0	0
COVID Management review	Substantial	29/10/2021	-	-	0	0	0	0
Council Tax and NNDR	Substantial	16/11/2021	-	-	0	0	3	0
Budgetary Control - Income stream not realised	Substantial	12/11/2021	19/11/2021	22/11/2021	0	0	0	2
The Culture Recovery Grant: Saving and Sustaining	n/a	12/10/2021	14/10/2021	18/10/2021	n/a			

7. The Executive Summaries and the Management Action Plans for each of the finalised reviews are included at Appendix A. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified. **It should be noted that two audits have been rescheduled by the Council leads; Procurement from Quarter 1 to Quarter 3/4 and Key Financial systems audit from Quarter 3 to Quarter 4.**

Progress against the 2021/22 Annual Plan

8. Our progress against the Annual Plan for 2021/22 is set out in Appendix B.

Changes to the Annual Plan 2021/22

9. There a number of areas where internal audit work is recommended to enable an unqualified Head of Audit Opinion to be provided for 2021/22. These are summarised below.

COVID assurance review work

Review	Rationale
The Culture Recovery Grant: Saving and Sustaining	To determine if the grant monies were used for the intended purposes of the Saving and Sustaining project with adequate records maintained in support of this.

Frauds/Irregularities

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

Performance and Quality Measures

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

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

Other Matters

12. We have issued a number of briefing notes, shown in Appendix C, since the previous SICA report.

Responsibility/Disclaimer

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

Release of Report

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

Date Report issued:	2nd December 2021

Executive Summaries and Management Action Plans

The following Executive Summaries and Management Action Plans are included in this Appendix. Full copies of the reports are available to the Audit Committee on request. Where a review has a 'Limited' or 'No' Assurance assessment the full report has been presented to the Audit Committee and therefore is not included in this Appendix.

Executive Summary – Working with Volunteers and Police

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

ST4 - Ongoing impacts of the COVID-19 pandemic on the council, the communities, our customers and the economy.

KEY STRATEGIC FINDINGS

In line with the requirements of the Crime and Disorder Act 1998, there is a Community Safety annual partnership plan in place for 2021/22.

The annual partnership plan includes the partnership's priorities and projects/initiatives to achieve each of the priorities.

Sample testing of 15 initiatives selected from the 2020/21 annual partnership plan confirmed that completed initiatives have been removed from the plan and ongoing initiatives have been carried forward into the current plan.

There are is a policy in place for volunteers recruited by the Museum service.

GOOD PRACTICE IDENTIFIED

Safeguarding awareness training is provided to volunteers locally recruited by the Museum Services.

The Community Safety Delivery Board oversees the functions of the Safer Colchester Partnership, the One Colchester Strategic Group, while the Crime and Disorder Committee review and scrutinise decisions made, or other actions taken and make recommendations to the Cabinet.

SCOPE

A review of the adequacy of internal controls in place at the Council to ensure effectiveness of working arrangements with volunteers and the Police, partnership services and arrangements in place for community safety.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Executive Summary – Land Charges

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

CO2 CBC Function - The expectation remains that the Council will step in to deliver services when other providers either fail or reduce service provision.

KEY STRATEGIC FINDINGS

An up to date and easy to understand flow chart for the land charges process is in place.

The Council has an up to date local land charges register.

Correct fees were obtained and recorded for the sample of 30 land charges tested and documents to support all 30 Land charges tested are in place.

Effective processes and controls are in place to ensure that Land charges are processed on time and correctly.

GOOD PRACTICE IDENTIFIED

Colchester Borough Council reported a very good turnaround time of an average of 4 days compared with other councils reporting an average of about 10 - 20 days.

SCOPE

The review assessed the adequacy of the internal controls in place at the Council to ensure effectiveness of controls around Land Charges and searches.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Executive Summary – Performance Management and Staff Training

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SP5 - Staff wellbeing or motivation declines with an impact on service delivery and resilience. *(Taken from last year's risk register. Still waiting for the current year's risk register)*

KEY STRATEGIC FINDINGS

- **The Council's Cabinet approved the Corporate KPI Targets for 2021-2022 on 10th March 2021.**
- **There is a staff appraisal system in place and sample testing of 15 appraisals confirmed that mid-year and year-end appraisals were done.**
- **The staff appraisal process is devolved to managers and not centrally monitored by HR.**
- **Compliance with statutory and mandatory staff training is not centrally overseen by HR.**

GOOD PRACTICE IDENTIFIED

- **Corporate performance indicators with targets are in place and performance is measured against the targets on a periodic basis.**
- **The Scrutiny panel and Cabinet members are presented with the performance report on a quarterly basis as noted in the reporting timetable.**

SCOPE

The review assessed the adequacy of the internal controls in place at the Council to ensure effectiveness of controls around Performance Management, staff appraisals and training.

ACTION POINTS

Urgent	Important	Routine	Operational
0	2	0	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Completed mid-year and year end appraisals are held by the line managers and appraisal records/copies of appraisals are not held by the HR team.	A Record of appraisals completed by the services in the Council be held by HR to ensure that all appraisals have been carried out by the relevant managers and to follow up managers who are yet to complete the process.	2	*Agreed – we are in the process of reviewing our appraisal system and ideally moving the forms onto a Microsoft Power App. If this can be done, then the appraisal forms can be collated by the HR Team and followed up with managers if not completed.* *If we do not move the appraisals onto a Power App then we will need to put an alternative process in place to monitor completions.*	*Dec 2021*	*Strategic People and Performance Manager*
2	Directed	GDPR eLearning training was completed by staff members in 2018 and 2020. 507 staff members completed the GDPR training in 2018 while 704 staff completed the training in 2020. 226 staff members did not complete the training in 2018 and while 291 staff did not complete the training in 2020. However, majority of the staff completed the eLearning in 2018 and 2020. From a review of the new system, it was confirmed that 174 staff members have undergone the Safeguarding eLearning training. The Council has a total of 1383 staff members (excluding CBH and the Holding companies).	HR to follow up on managers to ensure that all staff members within their teams have completed the relevant statutory and mandatory training courses.	2	*Agreed – We are planning to create and roll out to staff a Power App which will allow Managers to lookup which MyLearning courses their staff have completed.* *In addition, all our e-learning courses have a questionnaire/quiz at the end, which in turn will enable the HR Team to monitor and report on staff who have not completed the course.*	*October 2021*	*Strategic People and Performance Manager*

Executive Summary – Tendring Colchester Borders Garden Project

OVERALL ASSESSMENT

KEY STRATEGIC FINDINGS

The Tendring Colchester Borders Garden Community was approved as part of Section 1 of the Local Plan adopted by Full Council on 1st February 2021, following a recommendation from the Local Plan Committee.

Sample testing of 20 expenditure relating to the project confirmed that all the expenditure were approved in line with the approval processes agreed at the Steering group.

There is a high level programme plan in place for the project and project milestones are on target to be achieved.

Key members of Colchester Borough Council are members of the relevant groups and review of minutes of group meetings confirmed regular attendance and involvement of the members.

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Project risks and controls to mitigate the risks are included in the project risk register

GOOD PRACTICE IDENTIFIED

The project is overseen by the Steering group and it was confirmed that the group met on a regular basis to manage the project.

The Member group and the Planning working group also met on a regular basis to discuss and make decisions on the project.

SCOPE

The Tendring project is a joint project by three Councils; Colchester Borough Council (CBC), Essex County Council (ECC) and Tendring District Council (TDC). The audit reviewed the involvement of CBC in the project contract management and ascertain control over expenditure on the project by CBC.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Executive Summary – Homelessness (Impact of COVID)

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

N/A

KEY STRATEGIC FINDINGS

- **Process notes and guidance documents on Homelessness are in place, however these are not dated and do not include names of authors and reviewers.**
- **The Homeless and rough sleeping strategy is available on the Council's website and covers April 2020 to March 2025.**
- **Testing of a sample of 20 processed homeless cases, selected across the Advice and assistance, Prevention duty, Relief duty and Full duty stages found no exception.**
- **Monthly Housing management budget statement is prepared by the finance team and sent to the Head of Housing Options.**

GOOD PRACTICE IDENTIFIED

- **Detailed information on Homelessness is available to members of the public on CBC and CBH websites**
- **A record of Homelessness indicators is maintained to measure and monitor Homeless activities however, these are not statutorily required.**

SCOPE

The audit reviewed the processes and controls in place with respect to Homelessness and assessed the impact of COVID on Homelessness.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	1	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	There is no legal requirement for Homelessness policies. However, there are process notes and guidance documents in place. Example include the process notes for Homelessness assessment (Second stage assessment by the Housing Solution officer), Duty to refer procedure, Process for completion of Emergencies Crib sheet, Initial assessment Crib sheet, Homeless flowchart based on Housing Act 1996 and the Local connection criteria document. These documents are not dated and the names of the authors and reviewers are not written in the documents.	The review dates, names of staff who reviewed the procedure documents, date of next review and evidence of approval/review be included in the documents.	3	*All processes will be reviewed, updated with review officer details, date and next review date by the end of the Financial year by the Team Leaders. To be signed off by the relevant manager. This will be carried out alongside the Annual website review to continue to ensure that process match the information available to the public.*	*31/03/22*	*T.Brushett*

Executive Summary – COVID Discretionary Grant

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

ST4 - Ongoing, and recovery, impacts of the COVID-19 pandemic on the council, the communities, our customers and the economy. The uncertainty of planning for future service delivery alongside the threat of further infection waves and restrictions.

KEY STRATEGIC FINDINGS

The guidance documents provided by the Department for Business, Energy and Industrial Strategy are used by the Council to administer and monitor the COVID grants.

Grant payment is based on Rent/Rateable Value (RV) of applying businesses as noted in the Council's guidance document.

Sample testing of 20 COVID discretionary grant payment confirmed that checks were carried out by the Business rates team and relevant documents were obtained and reviewed prior to awarding the grants.

11 of 17 eligible businesses tested were paid grants based on the rent/RV criteria however, six businesses had lower rent/RV but were paid grants higher than the levels noted in the policy on a discretionary basis.

GOOD PRACTICE IDENTIFIED

Recovery of grants from businesses have commenced and ten businesses identified to have received grants erroneously were sent invoices in October 2020 to recover the grants received.

A review of the Council's website confirmed that information of COVID grants is available to members of the public.

SCOPE

The audit reviewed the controls in place on application, review, approval, payment and recovery of COVID discretionary grants.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Executive Summary – COVID Management Review

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Risk ST4 - Ongoing, and recovery, impacts of the COVID-19 pandemic on the council, the communities, our customers and the economy. The uncertainty of planning for future service delivery alongside the threat of further infection waves and restrictions.

KEY STRATEGIC FINDINGS

The Council has a Covid-19 Recovery Programme in place which sets out the emerging framework and approach taken by the Council to facilitate recovery from the Pandemic.

As at end of August 2021, the recovery programme activities are now classified as Business as usual (BAU) or Strategic plan Action plan (SPAP) and uploaded to Power BI for continual implementation and monitoring.

Progress made on the recovery programme activities as noted on Power BI are discussed by the Senior Management Team.

Risk on the ongoing impact and recovery from COVID 19 is included in the Council's risk register.

GOOD PRACTICE IDENTIFIED

The Recovery plan is divided into four areas; Economy, Community, Customer and Council and each cell area is owned by an Assistant Director with sponsorship by Executive Management Team.

Lessons learnt in the process of implementing the recovery programme are documented in the Recovery programme closure report.

SCOPE

The review assessed the adequacy of the internal controls in place at the Council for the management COVID 19. The audit focussed on plans to manage the pandemic and recovery plans to address the ongoing impact to services, including impact on residents, impact on the local economy and progress in delivery of recovery plans and projects.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Executive Summary

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Risk PR1 on Inability to deliver the budget strategy as planned is included in the Risk Register and mitigated

KEY STRATEGIC FINDINGS

The Council's original Budget was agreed by the Cabinet in January 2021 and the Full Council approved the Budget in February 2021.

As at period 6 (end of September), the General Fund showed underspend in expenditure of £400k and a surplus income of £996k resulting in a net underspend of £1,396k.

Finance Business partners are allocated to budget holders by services and support from the Finance Business Partners is readily available to budget holders.

The budget is reviewed and monitored by the Performance Management and Delivery Board monthly and by the Governance and Audit Committee on a quarterly basis.

GOOD PRACTICE IDENTIFIED

The effects of COVID 19 is factored into the 21/22 budget as the Cost pressures due to COVID 19 of £4.129m is also built into the budget.

SCOPE

The review aimed to provide assurance over the effectiveness of the budgetary monitoring processes within the Council.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	2

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	The Council has Financial Procedure Rules and Standing Orders however there is no formally documented procedure or guidance in place for Budgetary Controls and Budget monitoring. The Business partners provide regular support to the budget holders and new budget holders are informally trained by the Business partners who are also available for regular support to the budget holders.	The Council to consider documenting the Budgetary control and budget monitoring processes in a guidance document and make the document available to budget holder via the intranet.	*The timing and resourcing of this will be considered as part of the ongoing financial management of the Councils finances.*
2	Directed	There is no formal budget monitoring timetable in place however the monthly financial processes close on 7th of every month and the budget holders have up to a week before the 7th to submit budget forecasts to the business partners. The Finance Manager noted that this informal guideline is well established and known in the Council and there have been no issue with compliance with the deadline.	The Council to consider documenting the budget monitoring timetable and sharing it with the budget holders.	*The timing and resourcing of this will be considered as part of the ongoing financial management of the Councils finances.*

Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Working with Volunteers and Police	1	Final report	
Land Charges	1	Final report	
Performance Management and Staff Training	1	Final report	
Homelessness (Impact of COVID)	2	Final report	
Budgetary Control - Income stream not realised	3	Final report	
The Culture Recovery Grant: Saving and Sustaining	n/a	Final report	Not in plan. Contingency days used for the audit.
Tendring Colchester Borders Project	2	Draft report	
COVID Discretionary Grant	2	Draft report	
COVID Management review	2	Draft report	
Council Tax and NNDR	3	Draft report	
Staff Wellbeing and Sickness Absence	3	Ongoing	
Housing Benefit and Council Tax Support	3	Ongoing	
IT Virtual environment (New way of working)	1	Ongoing	Delays from Council in providing documents
Procurement	2	To be Scheduled	Rescheduled to Quarter 3/4
Mobile Device Management	2	To be Scheduled	Delays from the Council
Key Financial Systems	3	Scheduled	Rescheduled to Quarter 4
Corporate Governance and Democratic (including Policies)	4	To be Scheduled	

System	Planned Quarter	Current Status	Comments
Waste Management	4	To be Scheduled	
Climate Emergency	4	To be Scheduled	
Leisure World	4	To be Scheduled	
Contract Management	4	To be Scheduled	
Allocation for CCHL	4	To be Scheduled	
Contingency	1-4	To be Scheduled	
Allocation for CCHL	4	To be Scheduled	
Follow-up	1-4	Ongoing	
Annual Planning	1	Completed	
Annual Report	4	End of year	
Audit Management	1-4	Ongoing	

KEY:

	To be commenced		Site work commenced		Draft report issued		Final report issued

Briefings on developments in Governance, Risk and Control

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

Summary of recent Client Briefing Notes (CBNs)

CBN Ref	Subject	Status	TIAA Comments
CBN21022	NCSC Device Security Guidance		**Action Required** All organisations are recommended to complete a health check to demonstrate that the holistic management of connected IT devices meet with current best practice. Audit committees and boards are recommended to seek assurance by either internal checks, or independent audit and review.
CBN21023	Public Procurement Update July 2021		**No Action Required** To note.
CBN21030	VMWare Vulnerabilities		**Action Required** All organisations running the VMWare virtualisation software need to install the latest version as soon as practicable to address the vulnerability.
CBN21044	Guidance to Prevent use of Vehicles as Weapons in Terror Attacks		**Action required where applicable** Audit Committees and Boards/Governing Bodies are advised to assess their arrangements in light of the risks if applicable and take appropriate remedial action.

Colchester

Governance and Audit Committee

Item 12

18 January 2022

Report of	**Assistant Director of Corporate and Improvement**	**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 October 2020 to 30 September 2021.

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 2022.

3. Reason for Recommended Decision

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

4. Alternative Options

4.1 There are no alternative options to consider

5. Background Information

5.1 Whilst Business Continuity primarily relates to the delivery of the Council's own services, it sits alongside the Council's responsibilities for Emergency Planning, where the Council is required to assist the emergency services in dealing with events in the borough (such as flooding) as set out in the Civil Contingencies Act 2004. Under the act there are two duties relating specifically to business continuity:

1. To be able to carry on providing its own services in the event of a disruption
2. To provide advice and guidance relating to business continuity to local businesses and voluntary organisations.

5.2 The responsibility for ensuring that the Council has effective business continuity plans rests with the Chief Operating Officer and the function is delivered by the Corporate Governance Team. The role is to provide advice and guidance to services including the co-ordination of individual service plans as well as the overall Council plan. Issue specific plans, such as responding to a flu pandemic, are also required.

5.3 Business continuity issues are primarily reported to the 'First Call Officer' group, this consists of the senior management team and other key staff. The primary role of this group is to provide the strategic management of any emergency – either internal or external. The group meets every two months to review plans and consider emergency planning and business continuity issues.

6. Summary of Work Undertaken

6.1 The primary focus for 2021 has been dealing with the continuing COVID19 Pandemic. This has required a significant input from the Resilience Officer (RO) to ensure that CBC participates in tactical coordination groups (TCG's) and provide support for the First Call Officer attending the Strategic Coordinating Group (SCG's). The RO has also been providing support to those service areas who were significantly affected by the pandemic.

6.2 The pandemic has highlighted how important it is for services to have up to date, tested and exercised business continuity plans. The RO began reviewing and testing plans from October 2020 and throughout the pandemic. There is a review timetable for each service area, and reports of completed and outstanding plans are regularly provided to the First Call Officer group.

6.3 Specific Business Impact Assessments are being introduced for the critical services. Having these will enable the recovery to focus on returning the critical services to business as usual following a disruption. The business continuity plan will also focus on the critical services and those services not classed as critical will be included in the overall service plan.

6.4 Staff training is being rolled out with the development of an online e-learning course, available for all staff. This will give them a better understanding of business continuity and the important role they play.

6.5 Stage 1 of the Fuel Plan was activated in September 2021 in response to the sudden fuel supply issues. This was a good live exercise of the plan which identified some areas where the plan needed to be updated, such as assumptions about which services were critical and how that information is communicated. Fuel supply issues will continue to be monitored to ensure critical services have access to fuel.

6.6 The goods supply issues throughout the country are also being monitored, to enable early identification of potential impacts on the Council.

6.7 The RO attended and passed the Certificate of the Business Continuity Institute (CBCI) Examination which will enable her to be able to further embed the Business Continuity Framework and programme.

7.0 Business Continuity Strategy for 2022

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 2022. The revised strategy is attached at appendix A. It is considered that the strategy continues to meet the needs of the organisation and therefore there are no changes to the strategy or the business continuity process.

8. Equality, Diversity and Human Rights implications

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

9. Strategic Plan References

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

10. Risk Management Implications

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

11 Environmental and Sustainability Implications

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

12. Other Standard References

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

Appendices

Appendix A – Business Continuity Strategy for 2022

Colchester

Business Continuity Strategy 2022

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

Dec 2021

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BUSINESS CONTINUITY STRATEGY – 2021

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 always continue to be provided. But above all, business continuity is critical to the Council in its ability to survive an incident with as little disruption to services and reputation as possible.

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

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

- **The Corporate Incident Management Plan and the Emergency Response Plan** will form the basis of the Council's response. These are operational documents 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 Emergency Response 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 can 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 policy 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, to determine overall priorities for recovery of functions if disruption takes place.
- To ensure all Council service areas are involved in the preparation of the Plan, so that there is an effective and consistent response to service continuity.
- To provide a basis for cost benefit analysis to determine which contingency plans will be developed.
- To develop a process to review and update the plan and develop service area, functional or specific plans where necessary, to protect the services and reputation of the Council.
- To undertake training and awareness programmes for staff, elected members, suppliers, and partners.
- To carry out regular tests of the Plan to validate the arrangements.

4.0 Governance

Establishing Governance for business continuity provides a central point of accountability for implementation and continuous monitoring of the Councils activities in accordance with the business continuity policy.

CBC is committed to ensuring we have an effective business continuity programme by providing oversight and support, including provision of adequate resources and approval of budget. The Business continuity Programme will be monitored and reviewed regularly to ensure the requirements are being met.

Dan Gascoyne, Chief Operating Officer at Colchester Borough Council.

"Colchester Borough Council recognises that whatever disruption or emergency might affect the Council, the continuity of our services to our community is essential, and that effective Business Continuity Management is fundamental to ensuring that resources are directed to where they are most needed.

This Business Continuity Strategy underpins the Councils commitment to the delivery of services, along with a framework for delivering a robust and effective Business Continuity process. Whilst all Councillors and officers have a responsibility in ensuring effective delivery of services, the strategy sets out the specific roles of the Governance and Audit Committee, who oversee and endorse the strategy, the Chief Operating Officer, who is responsible for ensuring the overall effective delivery of business continuity management and the Senior Management team, who are responsible for ensuring that the business continuity risks to their services are appropriately managed"

5.0 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

6.0 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 can respond to an interruption.

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

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

There is a core role of co-ordinating the process and ensuring that services have access to information and assistance when building their own plans. The co-ordinator also has responsibility for ensuring that key partners are involved in the process.
If there is a disruption, there should be a defined corporate response team who will have overall control of the situation. The co-ordinator is responsible for maintaining details of this team ensuring that they are fully briefed on executing the plan and are informed of any potential issues that may arise.

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

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

7.0 Links

To be an effective management tool and to truly embed the process throughout the organisation the plan should recognise and be influenced by the Council's operational and strategic risk registers, this will lead automatically to the plan linking into the Internal Audit plan, the strategic plan, and the budget process. The plan should also recognise the Community Risk Register, maintained by the Essex Resilience Forum, to ensure that external impacts are recognised and allowed for.
The Business Continuity process must also be closely linked to the Emergency Planning process. In any major scenario it is likely that other organisations in the Borough will be impacted as well, and it is essential for the Council to be able to respond to their requirements as well as its own. Due to the nature of the response required from Emergency Planning it is likely that they will be the first service to receive external information regarding potential issues and it is imperative that there is a system for incorporating these issues in the Business Continuity process.
The Plan should also be aligned to the international standard for Business Continuity ISO 22301 – 2012 and the BCI 'Good Practice Guidelines 2018'.

8.0 Training

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

9.0 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 the services will be subject to review every six months to ensure that information on service functions and contact details are kept up to date. All plans require sign off from a member of SMT (Senior management Team)

10.0 Scope

CBC has ensured there is a clear definition of which areas of the organisation should be included in the scope and which are excluded. The enables us to focus the business continuity programme and associated activities on the Council's priorities and ensures the programme makes the best use of availability resources.

The scope has been agreed by our Business Continuity Steering Group which is made up of our Senior Management Team who all have a great understanding of the Council's Strategy, Objectives, Culture, operating environment, and our approach to risk which is essential when considering the scope of the programme.

Taking this organisational view and collaborating with others at this stage will be key to CBC implementing the business continuity policy and programme and the overall resilience of the Council.

Appendix 2 lists our critical and supporting services which will be included in our scope. These services make a significant contribution to the Council's reputation, income, and success.

Appendix 3 lists our services which will not be included in our scope, but each service will have their own departmental plans and will be covered by other specific plans such as our ICT Failure, Power failure and CBC Pandemic Flu Plan,

Appendix 1

ROLES & RESPONSIBILTIES FOR BUSINESS CONTINUITY

	Strategy And Plan	Defence	Continuity	Recovery
Members	Agreeing the policy 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 policy and plan.	Ensuring that the defence actions are appropriately implemented, are regularly reviewed and those 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 policy 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 policy and Plan. Review Of 'new issues.	Critical review of The defence plans. Ensuring that the information contained within The plan is accurate Annual testing of The plan.	Control the response to the incident until such time as the organisation enters The recovery stages. Ensuring that priority services are afforded The proper support. Ensuring information is available to Members and staff. Keeping SMT Informed.	Review the actions of the Service Action Teams. Facilitate full recovery and ensure that recovery follows The correct priority. Liaison with external agencies. Ensuring information is available. Keeping SMT informed.
Service Action Teams	Input into the formulation of the policy And plan.	Development of Defence plans and implementation of control actions. Ensure that checklists of key Info is 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 policy 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.

Appendix 2

Critical and Support Services included in the scope of the strategy

Colchester Bough Council Critical Front-Line Services

- Waste Collection and Recycling
- Customer services – call handling
- Bereavement
- Community response
- Environmental health
- CBC Website
- Building Control
- Helpline/CCTV

Colchester Borough Council Critical Supporting Services

- ICT
- Finance Including payments process (AP, AR, Benefits)
- Communications
- Payroll
- Human Resources
- Emergency Planning and Business Continuity
- Democratic (member support)

Colchester Borough Homes Critical Services

- Emergency Response
- Homelessness services and support for sheltered housing residents
- Contact with vulnerable tenants
- Operations Customer contact centre

Note: These specific risks to CBH are covered in their own Business Continuity Plan so they will not be detailed within the Colchester Borough Council business continuity programme

Appendix 3

Colchester Borough Council Departmental Plans

- NEPP
- Street Care and Town Centre
- Client Services
- Sustainability and Climate change
- Economic Growth
- Planning
- Housing
- Parks, open spaces and waterways
- Museums and Arts
- Community Enabling
- Benefits – new claim processing
- Elections
- Estates
- Systems Development
- Debt Recovery
- Land Charges
- Cleaning
- Animal services
- Health and Safety
- Legal
- Civic
- Internal Audit
- Insurance
- Fleet

Colchester	**Governance and Audit Committee**	**Item 13**
	18 January 2022	

Report of	**Assistant Director Corporate and Improvement Services**	**Author**	**Matthew Evans** ☎ **ext. 8006**
Title	**Work Programme 2021-2022**		
Wards affected	Not applicable		

1. Executive Summary

1.1 This report sets out the current Work Programme 2021-2022 for the Governance and Audit Committee. This provides details of the reports that are scheduled for each meeting during the municipal year.

2. Recommended Decision

2.1 The Committee is asked to note the contents of the Work Programme for 2021-2022.

3. Reason for Recommended Decision

3.1 The Work Programme of this Committee is kept under review throughout the municipal year to ensure that business is progressed and Members have the opportunity to review upcoming agenda items.

4. Alternative Options

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

5. Background Information

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

5.2 The Committee's Work Programme will evolve as the Municipal Year progresses and items of business are commenced and concluded. At each meeting the opportunity is taken for the Work Programme to be reviewed and, if necessary, amended according to current circumstances.

6. Standard References

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

7. Strategic Plan References

7.1 Governance is integral to the delivery of the Strategic Plan's priorities and direction for the Borough as set out under the four themes of growth, responsibility, opportunity and wellbeing.

7.2 The Council recognises that effective local government relies on establishing and maintaining the public's confidence, and that setting high standards of self-governance provides a clear and demonstrable lead. Effective governance underpins the implementation and application of all aspects of the Council's work.

WORK PROGRAMME 2021-22

Governance and Audit Committee
Meeting date / Agenda items -
Governance and Audit Committee - **22 June 2021**
1. Draft Annual Statement of Accounts 2020/2021 2. Year End Internal Audit Assurance Report 2020/2021 3. Review of the Governance Framework and Draft Annual Governance Statement 4. Financial Regulations 2022-2023 5. Financial Monitoring Report – End of Year 2020-2021 6. Capital Outturn – End of Year 2020-2021
Governance and Audit Committee - **27 July 2021**
Governance and Audit Committee briefing followed by the following items -
1. Review of digital meetings following Covid-19 2. Colchester Commercial Holdings Limited – Annual report 3. 2020/2021 Year End Review of Risk Management

Governance and Audit Committee - **7 September 2021**
1. Financial Monitoring Report – April to June 2021 2. Capital Expenditure Monitor 2021/2022 3. Treasury Outturn 2020/2021 4. Audited Annual Statement of Accounts 2020/201 and Annual Audit Letter 5. Processing of Special Category & Criminal Convictions Personal Data Policy
Governance and Audit Committee - **19 October 2021**
1. Local Government and Social Care Ombudsman Annual Review 2020/2021 2. Health and Safety Policy and Annual Report 3. Colchester Borough Homes Annual Report and Governance Statement 4. Review of digital meetings following Covid-19 5. Review of Colchester Borough Council's Cyber Security provisions
Governance and Audit Committee – **23 November 2021**
1. Review of the Council's Ethical Governance Policies 2. Annual Review of the Members' Code of Conduct and the Council's Localism Act "Arrangements" 3. Review of Local Code of Corporate Governance 4. Review of Member/Officer Protocol 5. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Employees 9. Treasury Management – Half Yearly Update 10. Financial Monitoring Report June – September 2021 11. Capital Monitoring 2021/2022
Governance and Audit Committee - **18 January 2022**

1. Interim Review of the Annual Governance Statement Action Plan 2. Risk Management Progress Report 3. Mid-Year Internal Audit Assurance Report 2021/2022 4. CCHL Half-Year Performance Report (to include draft 3 year plan) 5. Annual Review of the Council's Companies' Business Plans 6. Annual Review of Business Continuity 7. Annual Audit Letter 2020/2021
Governance and Audit Committee - **8 March 2022**
1. External Audit Plan for year ending 31 March 2022 and Certification of Claims and Returns – Annual Report 2020/2021 2. Financial Monitoring Report October to December 2021 3. Capital Expenditure Monitor 2021/2022 4. Internal Audit Plan 2022/2023 5. Review of digital meetings Covid-19 6. Equality and Safeguarding Annual Update