

Governance and Audit Committee

Tuesday, 19 January 2021

Attendees: Councillor Paul Dundas, Councillor Mark Goacher, Councillor Sam McCarthy, Councillor Chris Pearson, Councillor Dennis Willetts, Councillor Barbara Wood
Substitutes: Councillor Nick Cope (for Councillor Nick Barlow)
Also Present:

239 Minutes of Previous Meeting

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

240 Annual Audit Letter 2019/20 / Redmond Review Update

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

Paul Cook, Head of Finance, attended the meeting to present the report and assist the Committee with their enquiries. The Committee heard that the Annual Audit letter was the next stage in the process of the approval of accounts which had been dealt with at the last meeting of the Committee. The Annual Audit letter was a letter from the Council's external auditors, BDO, which summarised the findings of the external audit. Within the 2019-2020 audit, it was believed that less than fifty percent of the audits had been completed within the regulatory timetable, in spite of the extension of the timetable from the end of July 2020 to the end of November 2020. As a result of this, the Ministry of Housing, Communities and Local Government (MHCLG) commissioned a review by Sir Tony Redmond, and the findings from the review were set out in the report, together with MHCLG's response. Paul advised the Committee that it was considered likely that the timescales would be altered again next year, with the final date likely to be 30 September. He also commented that it was anticipated that the fees charged by external audit companies were expected to rise significantly, although the £60,000 currently paid by Colchester Borough Council did not represent a significant expense in the context of the whole budget. Discussions were ongoing with BDO in relation to the fees, and an increase was likely as the Council was now audited in a group with the Council's

commercial companies.

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

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

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

241 Mid-Year Internal Audit Assurance Report 2020/21

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

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

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

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

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

2020 be noted.

242 Interim Review of the Annual Governance Statement Action Plan

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

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

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

243 Risk Management Progress Report

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

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

Councillor Cope enquired whether there were any risks recognised with regard to social media usage, and Hayley explained that social media was not classified as a strategic risk for the Council, however, she did concede that social media did potentially present a concern with regard to the security of data and how social media was used. Social media was addressed as part of the wider risk associate with information technology (IT), and the Council took steps to ensure that appropriate social media platforms were used, and although social media did not feature on the Strategic Risk Register, it was

included in the Operational Risk Register for Corporate and Improvement Services.

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

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

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

RESOLVED that the contents of the report be noted.

244 Treasury Management – Annual Review 2019/20

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

RESOLVED that the contents of the report be noted.

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

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

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

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

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

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

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

246 Annual Review of Business Continuity

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

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

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

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

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

RESOLVED that the Business Continuity Strategy for 2021 be endorsed.

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

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

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

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

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

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

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

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

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

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

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

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

Councillor Nick Barlow addressed the Committee in his role as Chairman of Colchester Commercial Holdings Limited (CCHL) and also praised staff for their ongoing hard work over the year, which would lead to a dividend still being provided. He referred to the previous meeting of the Governance and Audit Committee, when the external auditor

had commented on the potential conflict of interest between the duties of the Chief Executive who was also the Managing Director of CCHL, and explained that these issues would be discussed at the next CCHL Board Meeting with a view to resolving them fully.

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

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

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

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

reassuring that an independent judging panel had offered these comments.

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

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

Turning his attention to Colchester Amphora Energy Ltd (CAEL), Paul explained that a delay in the planning process had led to a delay in heat sales, and that the heat network was now projected to make a loss until 2025-2026. The projected loss was not, however, a significant one, and income from heat sales was expected to rise in line with new housing, commercial units and the medical centre being completed.

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

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

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

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

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

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

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

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

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

things.

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

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

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

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

RECOMMENDED TO CABINET that:

1. The draft Colchester Commercial (Holdings) Limited Business Plans for 2021-24,

- and the subsidiary companies; be agreed.
2. There a shift to a 'rolling' three-year Business Plan period model to replace the set three-year Business Plan period.
 3. The achievements of the Council's companies in 2020/21 and the ongoing governance arrangements which are in place be noted.

249 Work Programme 2020-2021

RESOLVED that the contents of the work programme be noted.