



# Governance and Audit Committee Meeting

**Grand Jury Room, Town Hall, High Street,  
Colchester, CO1 1PJ  
Tuesday, 18 June 2024 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!

The Council welcomes contributions and representations from members of the public at most public meetings. If you would like to speak at a meeting and need to find out more, please refer to the Have Your Say! arrangements here:

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

## Audio Recording, Mobile phones and other devices

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## Access

There is wheelchair access to the Town Hall from the rear of the Town Hall off St Runwald Street and wheelchair access to the Old Library from West Stockwell Street. There is an induction loop in all the meeting rooms.

## Security Procedures

It is a condition of entry that members of the public are searched on arrival. This is conducted by a member of the Council Hall Keeping team. This may include a search of your person and bags with an electronic device or by hand. Please inform the Hall Keeping Team if you have a health condition. The team will always include a female member. The team are Security Industry Authority trained and the searches are conducted in line with the relevant regulations. Please note that placards, large bags, umbrellas, food and items that might disturb the meeting must be left in reception for collection on exit.

## Facilities

Toilets with lift access are on each floor of the Town Hall. A water dispenser is available on the first floor.

## Evacuation Procedures

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Colchester City Council

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

### **Accounts, Audit, Risk and Counter Fraud**

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.

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.

### **Miscellaneous 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.

An overview of the Council's complaint handling procedure and Local Government and Social Care Ombudsman investigations.

### **Shareholder Committee for Council owned companies**

To consider, review and make recommendations to Cabinet regarding the activities and financial performance of Colchester Commercial (Holdings) Limited, its subsidiary companies and Colchester Borough Homes Limited.

Consider an annual review of the business plans of Colchester Commercial (Holdings) Limited (including its subsidiary companies) and performance of the companies including delivery of the dividend; and the Annual Report, Governance Statement and performance of Colchester Borough Homes Limited.

The creation of any arrangements for any future Council owned company including activities and performance.

### **Standards**

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.

**The complete Terms of Reference of the Governance and Audit Committee are contained within the Council's Constitution.**

**COLCHESTER CITY COUNCIL**  
**Governance and Audit Committee**  
**Tuesday, 18 June 2024 at 18:00**

**The Governance and Audit Committee Members are:**

Councillor Chris Pearson	Chair
Councillor Paul Smith	Deputy Chair
Councillor Paul Dundas	
Councillor Sean Kelly	
Councillor Sam McLean	
Councillor Sara Naylor	
Councillor William Sunnucks	

**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 registerable interest or non-registerable interest.

- 5 **Minutes of Previous Meeting**  
The Committee will be invited to confirm that the minutes of the meetings held on 5 March 2024, 9 April 2024 and 22 May 2024 are a correct record.
- Draft Governance and Audit minutes - 5 March 2024** 9 - 20
- Draft Governance and Audit minutes - 9 April 2024** 21 - 30
- Draft Governance and Audit minutes - 22 May 2024** 31 - 32
- 6 **Have Your Say! (Hybrid Council 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 Committee via Zoom. Each representation may be no longer than three minutes. Members of the public wishing to address the Committee must register their wish to address the meeting by e-mailing [democratic.services@colchester.gov.uk](mailto: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.
- 7 **Colchester Borough Homes 2023/24 Performance and Assurance Report** 33 - 60  
The Committee will consider a report which seeks to provide it with assurance on adherence to the new Regulator of Social Housing regulatory regime.
- 8 **External Audit progress - verbal update**  
The Committee will receive a verbal update from the Council's S151 Officer on the progress of the external audit process.
- 9 **Treasury Management Strategy 2024/25** 61 - 78  
The Committee will consider a report requesting that it consider and recommend for approval by Full Council, the Council's draft Treasury Management Strategy for 2024/25, and that it note the current position regarding the draft Investment Strategy 2024/25.
- 10 **Head of Internal Audit Annual Report 2023/24** 79 - 88  
The Committee will consider a report which summarises the findings of the Internal Audit function for the financial year 2023/24.
- 11 **Review of the Governance Framework and Draft Annual Governance Statement 23/24** 89 - 102  
The Committee will consider a report relating to the Council's duty to produce an Annual Governance Statement, that reviews the effectiveness of the Council's internal control systems for the

2023/2024 financial year, and which is required for the 2023/2024 Statement of Accounts.

- 12 **Work Programme 2024-2025** 103 -  
The Committee will consider a report setting out its work programme for the forthcoming municipal year. 108

- 13 **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

5 March 2024

*Present:-* Councillor Chris Pearson (Chair)  
Councillor Paul Dundas, Councillor Dave Harris,  
Councillor Alison Jay, Councillor Sara Naylor, Councillor  
Paul Smith, Councillor William Sunnucks

*Substitutions:*

*Also Present:-* Councillor David King

### **414. Minutes of the Previous Meeting**

*RESOLVED* that: the minutes of the meeting held on 12 September 2023 be confirmed as a correct record.

### **415. Hibernation of Colchester Amphora Homes Ltd (CAHL)**

The Committee considered a report requesting that it consider the formal resolutions that were required to bring about the hibernation of Colchester Amphora Homes Limited, with a view to completing this process by 31 March 2024.

Richard Carr, Interim Managing Director (Amphora), attended the meeting to present the report and assist the Committee with its enquiries. The Committee heard that the process which it was being asked to consider was the same process as that which is had previously approved to formalise the hibernation of Colchester Amphora Energy Company (CAEL). It was proposed that Colchester Amphora Homes Ltd (CAHL) be placed into hibernation, which was entirely in line with the strategy which had been considered by the Committee in 2023, and which had subsequently been adopted by Cabinet. A process of due diligence had been carried out which had considered the single asset and all third party agreements which CAHL had, and the report before the Committee detailed how each of these issues was to be treated.

The Committee was requested to consider, as the Shareholder Committee for the Council's wholly owned companies, on the behalf of the Council, the formal resolutions which had been set out in Appendix 3 of the Officer's report, with a view to then proposing those to Cabinet. It was made clear to the Committee that the requisite resolutions that were required from the CAHL and Colchester Commercial Holdings (Limited) (CCHL) Boards had all been formally approved by those bodies.

A Committee member wondered what the risks associated with the grant which had been received from Homes England (HE) were. The grant had been for the provision of 560 homes, however, planning permission had only been obtained for 360 at the Mill Road site; where were the other homes to be built? What was the current status of the HE grant, and had there been a variation of the terms of this, to reflect the apparent reduction in the number of homes which were now to be provided? It was noted that should CAHL be placed into hibernation, the Council would be left with its Events and Helpline Companies, together with some residual work continuing into the provision of Colchester Fibre. Given that these companies appeared to be performing very well, why had steps been taken to recruit a permanent Managing Director for the Amphora Group, given that the function of the companies had been streamlined to such an extent?

The Interim Managing Director (Amphora), explained to the Committee that his understanding of the HE grant was that this was subject to an agreement between Homes England and the Council, and he believed that this was primarily linked to the development of the Northern Gateway site. He had understood that dialogue had taken place between the Council and Homes England, who had been very understanding of the position, and it was therefore considered that any risk associated with the grant funding being lost to the Council had been contained. In terms of what would remain of the Amphora group, a review of Colchester Fibre was currently being completed, and it was considered that there was significant value in Colchester Fibre remaining part of Amphora, as the Council had received a sum of grant funding from central government to install the network, a condition of which was to look for opportunities to commercialise the network which could only be achieved through a local authority trading company. It was considered that there was more residual value in the companies than was immediately apparent, and the new Managing Director role was one which would potentially be filled on a part time basis with appropriate remuneration. A Committee member suggested that the difference between the number of homes for which planning permission had been granted, and the number for which the HE grant had been provided, could be explained by the fact that a proposed healthcare unit on the Northern Gateway site would have contained a significant number of housing units, which would account for the apparent discrepancy.

The Committee were advised by the Interim Managing Director (Amphora), that Colchester Fibre resided within Amphora Trading Ltd. A Committee member wondered why all the Council's companies were not made dormant, with their activities transferred into Colchester Amphora Trading Ltd (CATL)? When considering making CAHL dormant, the Council needed to be sure that all its activities would continue to be dealt with appropriately; where did the responsibility for the Northern Gateway scheme lie, and what was the strategy for dealing with the Mill Road site? It was suggested that a strategy was required to ensure that the HE grant was secure, as this seemed to represent a risk to the Council. It was also important to know the costs associated with making the company dormant, and the full impact of the hibernation on the Council's balance sheet should be considered.

The Chair of the Committee offered assured that he believed that the Council's administration had plans to deal with the Mill Road site, although the actual format of any development was for the administration to determine. He considered that it was unlikely that the HE grant would be requested to be returned, and although this was a risk, the advice and guidance which had been received from the Council's Officers indicated that this risk was small. The direction of travel of the companies was something which had been considered by the Committee in the past, and it was considered that this would be a matter for Cabinet to consider.

The Interim Managing Director (Amphora), confirmed that a crystallisation of the financial proposals was very important, and if the Committee and Cabinet agreed with the proposal then the focus would be on achieving clarity in relation to this before the end of the financial year.

Andrew Small, S151 Officer, attended the meeting remotely and confirmed to the Committee that it had been acknowledged that there would be a cost to the Council associated with the proposed hibernation which was broadly known, and the issue now was to determine the exact amount to ensure that this was included in the Council's accounts for 2023/2024.

A Committee member considered that the option of closing the company down was one that the Council didn't need to take in case it had value in the future. The costs to the Council would be the same whether the company was closed down or placed into hibernation in the hope that circumstances would change in the Council's favour in the future. In the light of this, he wholeheartedly supported making the proposed recommendations to Cabinet.

*RECOMMENDED TO CABINET* that:

- the resolutions set out in Appendix 3 to Annexe A of the Officer's report which was presented to the Committee, be approved.

#### **416. Review of Colchester Borough Homes Performance**

The Committee considered a report inviting it to note the performance targets for Colchester Borough Homes (CBH) for 2024/25, and to make any comments or recommendations to the Portfolio Holder for Housing and Colchester Borough Homes on performance management arrangements for 2024/25 and beyond.

Philip Sullivan Chief Executive of CBH, Esme Cole, Chair of CBH, Karen Loweman director of operations, Goeff Beales, client services Nabarer for CCC, Lucie Bbreadman attended remotely Strategic Director.

Councillor Warnes attended the meeting and addressed the Committee pursuant to the provisions of Meetings General Procedure Rules 5 (1). He had worked in housing for a number of years, and was pleased to see a return to housing inspections which he believed indicated a greater focus on tenant satisfaction. His advice to the Committee was to look beyond the statistics and figures which had

been presented to it, and to consider the processes that affected performance. He believed that there was a significant issue in relation to void or empty property re-let time. It was important to recognise that re-letting homes was only part of getting tenants satisfactorily re-housed, but was an important part. The Officer's Report recognised that the time to re-let properties of 42 days was not good enough, and he believed that CBH needed to be much more ambitious, and suggested that the proposed target of a 28 day re-let period was not being ambitious enough. He advised the Committee to look in detail at the processes of CBH, noting that one of the gauges in re-letting properties was the hand-off period, and there was a need to iron out the breaks in the process through process mapping and carrying out work to identify the causes of delays. There needed to be collective ownership of the process, which included working together to increase efficiency in lettings, and consideration should be given to including weekly void meetings.

Councillor Warnes also noted that according to the figures which had been provided, incidences of damp and mould in properties had risen substantially. Damp and mould were seen as dangerous hazards which would prevent a property being re-let, how would this issue be tackled, and was a pro-active approach being taken? There was a need to manage both the property and the tenants within it, as issues could arise from the use of the property as well as more substantial issues like rising damp. The difficulty in recruiting qualified staff was noted, had consideration been given to offering apprenticeships or prioritising applicants who were ex-service personnel?

The Chair reminded the Committee that it would become more pro-active and detailed in its future examination of both CBH and Colchester Commercial (Holdings) Limited, and would be receiving regular reports from CBH which would invite constructive criticism. It was considered that the report which was before the Committee contained greater detail than had been available in the past.

In response to the comments made by Councillor Warnes, Philip Sullivan, Chief Executive of Colchester Borough Homes, offered support for the principle of detailed investigation into the processes of CBH, which he considered could offer an extra element of assurance to the Committee. Damp and mould issues in CBH properties were being proactively addressed and identified through the stock condition surveys which were carried out, and CBH also reacted swiftly when issues were reported by tenants. It was confirmed that under the Housing Health and Safety Rating System one of the category 1 hazards could relate to damp and mould. CBH was now considering property archetypes which were more susceptible to damp and mould, and was also looking at its tenants, particularly in respect of vulnerability, in order to prioritise resources. In terms of social value, CBH did use relevant initiatives and was a member of the Defence Employer Recognition Scheme which guaranteed interviews to ex-service personal who demonstrated that they met the person specification for the role.

Councillor Warnes was encouraged by the assurance that had been offered, noting that void re-letting was a difficult process which required a specific skill set. He advised CBH to guard against the use of empty properties for storage of repair

materials while repairs were being carried out elsewhere, and considered that there was a potential danger of relying on consultants to carry out stock condition surveys which may produce cloned results.

The Portfolio for Housing was a member of the Committee and assured the Committee that to ensure the provision of social value, the Council considered a number of social value indicators when awarding contracts, such as the use of apprenticeship schemes and membership of the Armed Forces Covenant. With regard to property voids, the Committee heard that the condition that properties were often left in was considerably worse than at the start of the tenancy, and a great deal of work may be required to prepare it for subsequent lettings. There was a desire to do everything possible to drive the number of voids down to be able to house families who were waiting for housing.

Philip Sullivan, Chief Executive of CBH, attended the meeting to present the report and assist the Committee with its enquiries. The purpose of report was to brief the Committee on the new regulatory housing regime which would commence on 1 April 2024, and to provide an update on the performance of CBH. The Committee heard that CBH managed approximately 5,600 general needs homes, 560 homes for older persons and 1,000 leasehold properties on behalf of the City Council. From April 2024, a new regulatory regime overseen by the Regulator of Social Housing would commence, and the Regulator would pro-actively monitor the Council's compliance with new consumer standards which had been set out in the Officer's report. Inspections would take place of landlords, including the City Council and CBH. The Social Housing Regulation Act which had been passed in summer 2023, had introduced powers to set competency and conduct standards for housing staff which were the subject of a current government consultation. The Committee was asked to consider and note the medium term delivery plan performance, together with the 2024/2025 targets which were contained in the Officer's report. It was proposed that CBH would report on a quarterly basis to the Committee to provide information which would enable the Committee to challenge, and gain assurance of, the compliance of CBH with the new regulatory framework. With regard to tenant satisfaction measures, the full set of benchmarks would be reported to the Committee after these had been collated by the Regulator. CBH had faced some challenges in the preceding year, including void re-let time and damp and mould in properties, with 458 cases requiring inspections in relation to this. Karen Loweman, Director of Operations for CBH, attended the meeting and advised the Committee that driving down void re-let times involved a multi-faceted process, but now the statistics showed an improve position. The re-let time had improved from 42.1 days at the end of quarter 2, to 32 days by end of December 2023 with a further improvement to 29 days by the end of Jan 2024. It was hoped that CBH would be at, or near to, its 28 day re-let target by the end of the financial year. Noting the suggestions which had been made by Councillor Warnes, it was confirmed to the Committee that some of these had already been implemented such as improved communications with tenants, and the holding of weekly meetings.

In response to a question from the Committee, the Chief Executive of CBH confirmed that the new inspection regime would be focussed on senior CBH staff

who had the skills to deal with this. CBH would be alert to the challenge posed by the new regime and would be able to demonstrate the good work carried out by both Colchester City Council and CBH.

A Committee member sought to understand the roles of different parties in the management of CBH, noting that the Committee was acting as the shareholder Committee for the company, and wondering whether too much focus was being directed towards the management of the company while overlooking the portfolio. Was the Committee considering the Council's Housing Revenue Account (HRA) in the right way? The very large volume of performance indicators which would be reported to the Committee was noted, however, it was considered that CBH offered a more expensive service than its competitors such as Tendring District Council. Could benchmarked figures which were reconciled back to the accounts be provided to the Committee? It was acknowledged that there were currently significant issues with homelessness which created problems with managing the portfolio, there was a clear need to ensure that dwellings were allocated as efficiently as possible to those most in need. It would be useful for the Committee to consider a breakdown of management costs to understand what work was being carried out and how this overlapped with the cost centres in the Council's own accounts.

The Chief Executive of CBH confirmed that the Committee would be the route for the Council to gain assurance on the new regulatory consumer standards, and through the work of the Committee, Full Council will receive that assurance. There were a significant number of performance metrics, and the Committee heard that the Board of CBH scrutinised its performance as well as working with the Portfolio Holder to ensure that this work was challenged and scrutinised. The HRA was not managed by CBH, and the Committee heard that a review of the constitution of the HRA was currently taking place, and the Committee would receive a briefing on this topic shortly. In terms of benchmarking data, CBH was just under £3m more cost effective than peers. CBH did, however, manage additional functions for the Council including homelessness, housing options, the management and upkeep of corporate buildings which would be reflected in CBH's accounts. Benchmark data could be shared with the Committee, but it was important to ensure that only similar services were compared across different providers.

At the invitation of the Chair, Esme Cole, Chair of the Board of CBH, addressed the Committee. She advised the Committee that a number of Committees were available to the Board of CBH to provide scrutiny and assurance.

Geoff Beales, Client Services Manager, confirmed to the Committee that the ultimate responsibility for regulatory compliance rested with the Council and not CBH. The Committee, in its role as the Shareholder Committee, needed to be assured that the information which was presented to it by CBH was accurate, and in the future it was anticipated that the Regulator would sit in on Committee meetings to listen to the constructive challenge which would be posed by the Committee.

In discussion, the Committee noted that the Officer's report indicated that complaints were becoming more complicated, and sought clarification on what this meant. There

was also a discrepancy between the reported complaint satisfaction rates, with tenant satisfaction being recorded as much lower, what was the reason for this?

The Chief Executive of CBH advised the Committee that complaints were becoming more complicated because of the external environment that CBH operated in, and in particular significantly greater involvement from the Housing Ombudsman. By way of example, there had been had a case where CBH had been found to be at fault for trying to assist someone who had been the victim of anti-social behaviour (ASB), where CBH had been criticised for acting beyond its remit. With regards to complaint satisfaction, the difference in the data was explained by the fact that 2 surveys had been carried out and the higher satisfaction had been reported from those who had actually been through the complaints process, with the lower rate of satisfaction based on a perception survey which had been carried out. It was arguably very positive that those who had actually experienced the service were more satisfied. It was confirmed to the Committee that the complaints figures which had been provided to it included all complaints which had been received by CBH from tenants and third parties.

The Portfolio Holder for Housing considered that the environment that CBH operated in was becoming increasingly complex because of the levels of regulation from government which had the aim of improving standards. CBH was arranging for a dummy inspection to take place to prepare for the real inspection, and the Council needed to be able to demonstrate that CBH was being held to account. On the whole what had been presented to the Committee was very positive, and performance figures presented were generally good, although with some weak spots. The Council did have local letting policies to give priority to those with a local connection to the area to provide first choice of available properties if a prospective tenant with a local connection was in the same band as another prospective tenant. Of key importance had been the switch to charging affordable rents on properties of 70% of the market rate, as opposed to charging social rents at 50% of the market rate, and this additional income had enabled the delivery of more services. It was suggested that CBH had delivered a positive service in very challenging circumstances, delivering frontline services for almost 6,000 households across the city. There was a need to carefully observe compliance with the targets which had been set, but it was felt that these were achievable. Although the performance indicators contained a large degree of positivity, it was hoped that repair times would improve over the coming year.

*RESOLVED* that:

- the performance targets for 2024/25 be noted,
- the new reporting arrangements as set out in section 5 of the Officer's report be agreed.

#### **417. Draft Statement of Accounts 2022/2023**

The Committee considered a report requesting that it note the draft Statement of Accounts 2022/23 prior to the completion of the external audit process.

The Chair advised the Committee that he had been in detailed conversation with Committee members prior to the meeting, and had requested that the Democratic Services Officer make provision for an additional meeting before the end of the municipal year where consideration of the draft statement of accounts 2022/2023 would be the only item on the agenda. It was acknowledged that Committee Members wished to make detailed comments on the draft statement of accounts, as well as the position with the Council's external audit. In the light of these concerns, it was proposed that consideration of this item was deferred until an additional meeting of the Committee could be scheduled in late March or early April 2024.

A Committee member noted that the consultation on the new deadline for getting accounts audited by 30 September 2024 expired in 2 days time, and he was keen for The Council to protect itself by making a substantive response to this consultation, saying that the deadline was supported but that a resolution mechanism for those who don't make the deadline was needed. He had prepared a detailed draft response to this consultation and would circulate this to the Committee and the Leader of the Council.

In response to enquiries from the Committee, the Deputy S151 Officer confirmed that the Council's external auditors, BDO, had recently been very active when considering the outstanding audit of the Council's statement of accounts for 2020/2021, and were starting to work on the accounts for 2021/2022. Further details would be obtained in the near future and the Committee would be updated as soon as additional information became available. Additional questions about the statement of accounts had been received from a Committee member that afternoon, and the Deputy S151 Officer explained to the Committee that the Council's Finance Team was currently engaged with preparing the 2023/2024 statement of accounts and therefore responses to these questions may be delayed.

Andrew Small, S151 Officer, reminded the Committee that the accounts which were before it were only for noting at this stage and were not being presented for approval. The statement of accounts would come back to the Committee with the auditors opinion for the Committee to agree, and it was at this point that any issues with the accuracy of the accounts would be raised. He was satisfied that the reparation of the accounts which were before the Committee was correct, including the Housing Revenue Account (HRA). In relation to the consultation deadline which had been referenced, it was regrettably accepted that the current situation needed a resolution which would inevitably require qualifications for accounts and there were 3 options available to the auditors which would require further detail, and which were to issue qualified, unqualified or disclaimed accounts. The Committee was advised that at the end of December 2023 there had been 777 public sector audits outstanding across the country and it was considered likely that there would be many unqualified or disclaimed accounts issued.

**RESOLVED** that: the consideration of the draft statement of accounts 2022/2023 be deferred until a future meeting of the Committee, at a date to be determined by the Democratic Services Officer.



#### **418. Treasury Management Outturn 2022/2023**

The Committee considered a report requesting it note the Council's Treasury Management Outturn 2022/2023.

Chris Hartgrove, Deputy S151 Officer attended the meeting to present the report and assist the Committee with its enquires. The Committee heard that the Council's borrowing had declined over the previous year from £161.1m to £156.6m, and investments had decreased from £64.5m to £32.5m. The S151 Officer had confirmed compliance with Public Works Loan Board (PWLB) rules and the Chartered Institute of Public Finance and Accountancy (CIPFA) code, as well as following the advice of the Council's treasury management advisor, LINK. An error in the Officer's report which was before the Committee had been identified in paragraph 6.4 in relation to the weighted average maturity for banks which had been expressed, and a written correction would be circulated.

The Committee discussed the information which had been presented to it, and sought clarification on a number of points. The Deputy S151 Officer explained that the Council's Operational Boundary and Authorised Limit for External Debt as set out in the Officer's report represented controlled borrowing within defined limits, and the boundaries had been set in accordance with the Council's financing requirement. The reason for the gap between authorised an actual borrowing which had been identified was delays to the Council's Capital Programme, which had lead to reduced borrowing.

A Committee member considered that when carrying out the review of the HRA it would be of critical importance to secure market-based interest forecasts as opposed to theoretical forecasts. The S151 Officer confirmed that the information provided by LINK came from economists and the PWLB interest rates were inextricably linked to the gilts market. The Council would set a budget for the following year, and forecasts for the years following this, but the forecasts would be revisited every year based on updated information which would be used in planning for future years. The Council's Medium Term Financial Plan was subject to constant readjustments based on updated information.

The Committee enquired how the Council's operational boundary limit for borrowing of 375m was calculated? The S151 Officer confirmed that the figure was an amalgam of the Council's overall borrowing requirements, in addition to cash flow borrowing requirements and an additional subjective estimation of any potential contingency need which may arise.

RESOLVED that: the treasury management outturn 2022/2023 be noted.

#### **419. Verbal Update from the Council's S151 Officer with regard to the Council's Treasury Management Mid-Year update 2023/2024**

The Committee received a verbal update from the Council's S151 Officer with regard to the Council's Treasury Management Mid-Year Update 2023/24.

Andrew Small, S151 Officer, attended the meeting remotely to present the update and assist the Committee with its enquiries. The Committee was advised that the

Council's Finance Team had been engaged with the preparation of the Council's budget and producing final accounts which had caused some delays in providing information to the Committee which it may have expected. Treasury Management Information had, however, been provided to Councillors on 21 February 2024 as part of the budget setting process. The Council's borrowing as at 4 March 2024 stood at £147m, with £123m of this being borrowed by the Housing Revenue Account (HRA). The overall borrowing level as reported to Council on 21 February 2024 was well below the Council's capital financing requirement of almost £250m, and borrowing remained within operational and authorised boundaries. Total investments as at 4 March 2024 were £32.8m, and were currently being deliberately managed downwards with the aim of achieving a liquidity buffer of £20m which minimised the Council's external borrowing requirement, which reduced risks and overall borrowing costs. The Council had fully complied with the Chartered Institute of Public Finance and Accountancy (CIPFA)'s Treasury Management Code for 2023/2024. All the Council's investment was supported by the Council's treasury management adviser LINK. More information on treasury management would come forward at future meetings of the Committee.

RESOLVED that: the verbal update be noted.

#### **420. Quarter 3 Budget Monitoring Report 2023/2024**

The Committee considered a report setting out the 2023/24 General Fund and Housing Revenue Account positions, for both revenue and capital, as of 31st December 2024.

Chris Hartgrove, Deputy S151 Officer attended the meeting to present the report and assist the Committee with its enquiries. The Committee was advised that there had been an error in the published Officer's report in the Housing Revenue Account (HRA) Capital table at section 9.2, which should have had a variance of £1.493m on revenue contribution and £12.395m on borrowing respectively. Updated information would be circulated to the Committee after the meeting.

The Council was experiencing a number of financial challenges, and the Officer's report revealed a forecast general fund net revenue overspend of £1.916m, which represented a slight deterioration of £469k when compared to quarter 2. A key difference had been the pay award of 2023/2024 which had been settled after the quarter 2 forecast had been presented to the Committee. The projected overspend of £2.975m on service budgets which was further analysed in the report, and this was offset by a projected underspend of approximately £1.8m on capital financing costs. The largest spending pressure related to the Council's homelessness service which, in common with local authorities across the country, was experiencing a surge in demand from service users. The Officer's report set out the anticipated use of the Council's reserves and the Committee was reminded that this included the anticipated use of earmarked reserves too which included the spending of available funds as well as the impact of the projected overspend, which had been addressed in the base budget for 2024/2025. The General Fund Capital Programme presented

in the report showed that capital spending had continued to be subdued. The HRA Capital Programme had a projected underspend forecast of £18.244m for the year end with slippage on the Council House New Build Programme forming the largest part of this.

In discussion the Committee noted that when budget had been set in February 2023, inflation at time had been 10.4%, and interest rates had been 4%. The Council had set a budget with anticipated use of reserves set at £2.23m, and it now looked as though use of reserves would be approximately £6m in one year, and it was therefore essential that the Committee and Council did keep closely monitor the reserves, as continued use of reserves at the current rate would deplete them very quickly.

The Deputy S151 Officer explained that the way in which the budget had been recorded in the Council's financial system made the position seem far worse than it actually was. The overspend was reflected in the budget pressures, with homelessness being the best example of this and which had been built into the 2024/2025 budget as a growth item. Other items which had been earmarked from reserves were one-off funds, for example revenue grants which had been unapplied. The way that the budget system displayed this information made the Council's use of reserves appear far more substantive than was the case, and in the future information would be clarified so that the Committee would be provided with greater assurance on this issue.

The Committee noted the large capital underspend, as projects had not proceeded as they were no longer viable. Restrictions on rent had taken a lot of money out of the HRA, which had meant that projects were no longer viable, with the additional effect of meaning more people were homeless and which in turn lead to greater economic pressure on the Council's general fund. There was the need to look carefully as to how to deal with the situation of an aging housing stock with higher repair bills which was taking up the revenue income which was being generated. The Council was in a very difficult and unsustainable position, and the complex position was causing greater financial problems for the Council, particularly in the HRA.

The Committee sought clarification in respect of the Council's use of reserves, which was complicated, and sought to understand where in the accounts the difference lay between the income the Council received, and its expenditure. It appeared that the use of reserves would total approximately £6m, did this use represent a loss to the Council of this amount of money? Andrew Small, the Section 151 Officer, advised the Committee that the use of reserves consisted of money which had been set aside for a specific purpose, and when the money had been spent from the reserves this expenditure was made through the revenue account, and money was taken from the reserves to offset this payment. In this sense, the use of reserves was not a representation of money coming in and going out from the Council, but was simply the use of money which had been set aside in previous years. The Committee accepted that if the Council was using reserves which had been pre-determined then the apparent deficit was not as bad as had been thought. The Committee noted a the existence of a small reserve called the Strategic Plan Delivery Reserve of

approximately £1.5m, and the Deputy S151 Officer confirmed that this reserve had been funded from a VAT refund which had been saved.

The Committee agreed that the clarity of the reports which were being presented to it had improved significantly in recent months, to the credit of the Council's Finance Team.

*RESOLVED* that:

- The General Fund revenue position at the end of Quarter 3 (31st December 2023) for 2023/24, including actions being undertaken or proposed to ameliorate the position, where significant variances have been identified, be noted (including Appendices A, B and C in the Officer's Report);
- The General Fund capital position at the end of Quarter 3 (31st December 2023) for 2023/24 (including Appendix D in the Officer's Report) be noted;
- The Housing Revenue Account revenue position at the end of Quarter 3 (31st December 2023) for 2023/24, including actions proposed to ameliorate the position, where significant variances have been identified, be noted;
- The Housing Revenue Account capital position at the end of Quarter 3 (31st December 2023) for 2023/24 be noted.

#### **421. Work Programme**

The Committee considered a report setting out its work programme for the current municipal year.

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

The Committee noted the decision which had been taken earlier in the meeting to postpone consideration of the draft statement of accounts 2022/2023 until an additional meeting could be scheduled to consider them in the current municipal year.

Councillor King, Leader of the Council and Portfolio Holder for Strategy, attended the meeting, and, at the invitation of the Chair, Addressed the Committee. Councillor King wished to place on record his gratitude to the Committee and Officers for the work which had been carried out to date, and advised the Committee that consideration was being given to introducing a revised timetable for considering the Council's proposed budget in the future. He requested that Officers be given as much notice as possible of detailed questions which Committee members may wish to pose.

*RESOLVED* that: an additional meeting of the Committee to consider the draft statement of accounts be scheduled for the current municipal year.

## GOVERNANCE AND AUDIT COMMITTEE

9 April 2024

*Present:-* Councillor Chris Pearson (Chair)  
Councillor Dave Harris, Councillor Alison Jay, Councillor Sara Naylor, Councillor Paul Smith, Councillor William Sunnucks

*Substitutions:* Councillor Dennis Willetts for Councillor Paul Dundas

*Also Present:-* Councillor David King

### 422. Minutes of the Previous Meeting

*RESOLVED* that: the minutes of the meetings held on 16 January 2024 and 7 February 2024 be confirmed as a correct record.

### 423. Have Your Say!

Melina Spantidaki attended the meeting and addressed the Committee pursuant to the provisions of Meetings General Procedure Rules 5 (1). She had attended the meeting of Cabinet on 13 March 2024, having been advised that this was the body which would make any decisions in relation to Holy Trinity Church. The Portfolio Holder had responded to her, praising her ideas for the site, and requesting that she continue communicating with the Council. She had made contact with building professionals to attempt to get quotes for the necessary work and had requested that access be granted to the church by email, but had received no response from the Council. She had made a rough calculation of the cost of the works which she felt were needed on the site based on quotes from professionals which she had been able to obtain. Provided Colchester City Council had repaired the roof, walls, electrics and plumbing of the building, Mrs Spantidaki would design the community kitchen with a team from a local carpentry training centre and the total cost of a fully furnished kitchen was estimated at £50,000. Additional costs were presented to the Committee as follows:

- 2 washing machines 2 tumble dryers: £5,000.
- Infrared floor heaters: £5,000.
- Carpeting: £10,000.
- Iconostasis for part of the church framework: £30,000.

- Basic furniture: £5,000.
- Dividers of church and rooms: £3,000.
- Basic equipment: £20,000.
- Total cost: £128,000.

She had received an email from the Head of Economic Growth at the Council dismissing her bid, on the advice of Councillor King, Leader of the Council. This email had been upsetting to receive and she considered that Councillor King had bypassed Cabinet and dismissed her bid himself without providing access to the church to allow professionals to obtain exact measurements.

Richard Block, Chief Operating Officer, attended the meeting and responded to the comments which had been made. He directed Mrs Spantidaki to the last public press release which had been made by the Council regarding the current situation with Holy Trinity Church which had been made on 8 March 2024, and the Council's position had not changed since that time.

Mrs Spantidaki believed that the Council intended to continue working with Community 360, and expressed surprise and disappointment that this arrangement appeared set to continue.

#### **424. Draft Statement of Accounts 2022/2023**

The Committee considered a report asking that it note the Council's uncertified draft statement of accounts 2022/2023 which has now been published.

The Chair took the opportunity to remind the Committee of its Terms of Reference, and in particular the responsibility of the Committee to consider and approve the Council's statement of accounts, and to review the Council's external auditors annual audit letter. The Committee was reminded of the difficulties which the Council had experienced in obtaining audited accounts on time, or at all, for a number of years in common with local authorities across the Country. The Chair attended meetings of Audit Committee Chairs when these were held, and at the most recent meeting had asked whether it was possible to appoint a local accountancy firm to carry out the Council's audit. Sadly, this was categorically not possible, as there were statutory provisions for the auditing of accounts and a limited number of firms authorised to undertake the audit of local authority accounts. It was suggested that it was intended to complete the outstanding audit by September 2024, and the Committee was reminded that the accounts which were before it were un-audited accounts. The Chair was, however, certain that the information which had been presented to the Committee, with the possible exception of minor typographical errors, was accurate, and he saw no reason for concern. A Committee member had submitted extensive queries in relation to the draft accounts ahead of the meeting, and responses to these had been prepared by the Deputy S151 Officer. Both the questions and answers had been shared with the Committee.

Chris Hartgrove, Deputy S151 Officer attended the meeting to present the report and assist the Committee with its enquiries. The Committee heard that the draft statement of accounts for 2022/2023 which was before it had been prepared in

compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA)'s guidance, which related specifically to local authority accounting which was different from the private sector in many respects. Appropriate technical advice had been sought when necessary in relation to matters such as taxation, valuations, treasury management and investment recognition and collection fund accounting. The Committee was invited to note that the draft accounts had been published prior to consideration by the Council's external auditors, BDO. The role of the external auditors was to review the draft accounts to determine whether they represented a true and fair view of the Council's financial position at that date. The role of the auditor was to report to the Committee and provide it with a statement on the accuracy of the draft accounts prepared by Officers. A statement by the auditor would be presented to the Committee alongside a set of financial accounts, amended if necessary, and the Committee would then be asked to adopt these. Once adopted as the final set of accounts by the Council and the auditor was satisfied that any concerns raised had been corrected within the bounds of materiality, the auditor would sign the final accounts as a true and fair view. The Committee was reminded that the auditor was working for it to provide assurance of the accuracy of the accounts prepared by Officers. Local government accounting was extremely complex, and therefore the auditors had the requirement to provide technical and professional assurance that the appropriate rules had been correctly applied. Any challenge to the draft accounts at this stage would only be followed by a more rigorous and thorough review of their accuracy by the auditors, before a final set of accounts was presented to the Committee after the audit process had been completed. The Committee was advised that any detailed review of the draft accounts at this stage added little value as any errors in the accounts would be identified and reported to the Committee together with an amended set of accounts. Recognising that this was the first stage of a very thorough process, the Committee was simply asked to note the accounts.

Councillor Willetts was attending the meeting as a substitute, and requested that it be specifically recorded in the minutes that as a substitute he had not been in receipt of the questions which had been asked prior to the meeting, or the answers which had been provided to the Committee, and therefore considered it unfair if the debate was to be restricted to these questions. At the request of the Chair, the email containing both the questions and the answers provided was emailed to Councillor Willetts by the Democratic Services Officer during the meeting.

A Committee member acknowledged that he had posed a number questions before the meeting, and that the Deputy S151 Officer had been very generous in replying, however, he still had serious concerns about the accounts which had been presented to the Committee. These were the only external control for the Council, as the Council did not appear to have cash or borrowing restraints, and it was the audited accounts which told the Council where the boundaries of its behaviour lay. He was unable to reconcile the draft statement of accounts to the budgeting reports which had been presented to the Committee at previous meetings. It was time for the Council to decide whether it wished to simply accept the position with the delay in providing audited accounts, or actively seek a resolution to the position. He was very concerned about accepting the proposed disclaimed audit opinions, and considered that the Committee needed to take this possibility very seriously indeed,

and take as much time as was required at the meeting to put forward a real plan to deal with this issue.

The Deputy S151 Officer addressed the issue of a potentially disclaimed audit opinion, and the Committee heard that in this context the external auditors were awaiting specific professional guidance to enable them to issue a disclaimed opinion. He had been advised by BDO that any such opinion would be risk based and would completely comply with the auditing guidance they had been given. The Committee was assured that the accounts could not therefore be signed off without any assurance, albeit limited, being provided. With regard to the current status of the audit, BDO had expressed a hope that the 2020/2021 accounts would be signed off as quickly as possible; the audit work was substantially complete and the audit partner had now returned to work following a planned career break and would be in a position to complete the audit by carrying out a review of the audit work which had been completed. BDO had stated that they intended to sign off the accounts by the end of April, however, this was considered to be an ambitious target. With regard to the 2021/2022 and 2022/2023 accounts, it was intended to proceed to gather the necessary assurance to issue a disclaimed opinion in both instances, and planning work in this regard had already commenced. Confirmation in writing of the timeline of the planned works had been requested from BDO, and would be circulated to the Committee once this had been received. It was not considered that the reason for the delay in the audit could be attributed solely to the career break which had been taken by the audit partner of BDO.

A Committee member noted that the item which was before the Committee was simply the draft statement of accounts for 2022/2023, and the question to be considered was whether or not these accounts should be noted. Although the idea of a qualified audit opinion was very far from satisfactory, it was not felt that this was a decision over which the Council had any control, and the government, in conjunction with the Local Government Association (LGA), considered that the provision of qualified accounts was the way to deal with the huge backlog of audits which existed across the country. The Council did not have the advantage of operating in the private sector where it was possible to change auditors at will.

Councillor King, Leader of the Council and Portfolio Holder for Strategy, attended the meeting and, with the permission of the Chair, addressed the Committee. He confirmed that both he and the Portfolio Holder for Resources took the support which they offered to the Committee very seriously. He had attended meeting of the Audit Committees of Essex County Council (ECC), and advised the Committee that the frustrations with the audit process were the same across all those Committees. The Council should seek to take advantage as much as possible from the arrangements for completing the outstanding audits which would be set out by central government.

The Chair noted that the work programme of the Committee for the municipal year 2023/2024 was on agenda this evening, and suggest that the Committee may wish to ensure that there was an item scheduled for its first meeting of the new municipal year which provided an update on the audit process for all outstanding accounts at that time. The detailed work which the Committee had undertaken over the preceding municipal year was praised, and the input of some of the new members of the Committee was singled out as having been particularly effective in scrutinising



the operation of the Council's wholly owned companies. The Committee was reminded that it was being asked to note the draft accounts which were before it, and when the auditors had concluded their work and provided an audited set of accounts to the Committee, it would be able to state whether, or not, it accepted the accounts produced by the auditors were appropriate.

A Committee member did not wish to question any of the content of the draft accounts, assuming that they had been prepared to a high professional standard. However, before giving his vote to note the draft accounts, he sought clarification on some issues. He noted that Councillors had been presented with reports containing management accounts in the past, and when considering the draft accounts which were now before the Committee the income and expenditure figures which were contained in the draft accounts bore no resemblance to the management accounts which had been provided to the Committee. This caused confusion that there were different ways of expressing the Council's gross income in different documents, why did the figures in the draft statement of accounts not appear in the management accounts? Although these draft accounts would now pre-date the dormancy of the Council's wholly owned companies, at some stage in the future the position of the accounts would need to be considered both before and after dormancy, was it possible from this set of draft accounts to clearly understand how the Council had moved into the situation of dormancy? The Chair pointed out that that the Committee had considered the Council's wholly owned companies in some detail in recent meetings, including their statements of account, and although there were potentially issues relating to possible grant repayments, the Committee was reminded that the matter before it at this meeting was the draft accounts which had been presented to it.

The Deputy S151 Officer confirmed that the statutory accounts contained a vast number of technical accounting adjustments which were required, and although the management accounts were reconcilable to the statutory accounts, these were presented in a very different format, and had been simplified to provide greater transparency. In terms of the Council's net position which impacted on its reserves, a reconciliation would be provided to the Committee to provide assurance on this point. There had been a gap between when the original outturn had been published in September 2023 and the presentation of the draft accounts, and a reconciliation would be provided in respect of this, although the Committee was assured that no material changes would result from this. The Committee noted that the way in which the quarterly outturn reports were presented to it was much more easily readable and accessible than had been the case in the past, and the work of the Finance team was praised in this regard.

A Committee member noted that the Council had to conform to the International Financial Reporting Standards (IFRS), and suggested that to simplify the treatment of the accounts, the Council's management reporting should be aligned with these statutory standards. It was suggested that the Council was only monitoring half of its turnover, most of the reports which the Committee had considered showed turnover at around £70m or £80m, but he believed that, in reality, turnover was closer to £150m. It was necessary to demonstrate the Council's actual turnover somewhere in the management reports which were produced. He believed that it would be very worthwhile to carry out a reconciliation now, and noted the difficulties with providing

the necessary resources for this. He considered that there was insufficient support from the Administration for the Council's Technical Finance Team. The Deputy S151 Officer acknowledged the suggestion of reporting on a statutory basis rather than a management accounts basis, but advised the Committee that this would be an extremely difficult task which would not ultimately enable greater understanding of the Council's accounts. It was considered that the management accounts made it easier for the Committee to monitor the position of the budget through the year which was their primary purpose. The additional value which would be provided by an in-year reconciliation was recognised if it was carried out at the appropriate time in the right level of detail. It may not be possible to carry out a reconciliation as a lot of the information required was only obtained at year end, such as annual pension adjustments. The Committee considered that the reports which were produced were at a level which could be readily understood by the majority of Councillors, and not just members of Cabinet or this Committee.

A Committee member maintained that it was essential that the management reports showed the Council's actual turnover, which had a very important legal meaning. In terms of the reconciliation which had been requested, it was suggested to the Committee that this would be an audit test which the Council's external auditors would require to be carried out, and this work would therefore have to be undertaken in any event. Alarm was expressed about the passive stance which the Committee had taken to the problem of obtaining audited accounts, and it was suggested that a different approach was now needed. A position paper was requested dealing with the key points of disagreement which had been expressed in relation to the draft accounts which had been presented to the Committee which were major repairs, depreciation and post balance sheet events to clarify the Council's position as these were matters which would be considered by auditors. It would also be useful to prepare another, tidier, set of draft accounts prepared with input from the suggested position papers, which reconciled with the monitoring reports. The Committee was urged to take a 'carrot and stick' approach with the Council's auditors, BDO. The fee which the Council had paid to them of £39,000 was considered to be low to deal with such complicated accounts, when in the past the Audit Commission had been paid £200,000 for this work. The Council had appointed new auditors in KPMG, and it was suggested that the possibility of this firm taking over the outstanding audit work from BDO earlier than planned could be explored, as it was considered that BDO would be in breach of the contract with the Council. The suggested approach was therefore to offer the 'carrot' of an enhanced audit fee for completion of outstanding works, with the 'stick' of another firm completing this work if BDO was unable to complete it. The Council needed to be as pro-active as possible to ensure that audits were completed. It was also necessary to explore the impact of disclaimed accounts on the work which KPMG would be undertaking in the future, would this lead to further qualified audit opinions?

Noting the suggestions which had been made, the Chair invited a specific motion to be put to the Committee which clarified the recommendations which the Committee was being asked to make to Cabinet.

The Leader of the Council addressed the Committee and cautioned against the use of pejorative language when discussing the current position, as this did not reflect fairly on the hard work of staff or the administration's attitude to the situation. The

Council did have to make the best of the circumstances it found itself in, and take steps to make a difference where it was able to. The Council was bound by nationally negotiated arrangements, and an industry-wide way forward had been proposed, which it was not possible to circumvent or overturn. It was difficult to see how giving more money to an auditor which had failed to deliver audited accounts could be justified. It was confirmed to the Committee that the administration would not withhold resources from the Council's Finance Team, who would be supported to carry out the work which was needed to the quality required by the auditors.

Although the Committee accepted that the Council did not necessarily have the power to directly influence the completion of the outstanding audit work, it was suggested that the Council did everything within its power to drive completion of the outstanding audit work forward as a matter of urgency.

It was very important to explore what disclaimed accounts would actually mean for the Council. If the accounts were disclaimed, would there still be an inspection period? Was it possible to try to narrow the scope of the disclaimer to keep it to as narrow a scope as possible? Would it be possible for the Council to produce the required Annual Governance Statement if the statement of accounts had been disclaimed? What was the rarity and severity of an audit disclaimer?

The Deputy S151 Officer confirmed that KPMG had been appointed to be the Council's auditors for 2023/2024, and had already begun planning the audit for 2023/2024 with Officers. What the possibility of disclaimed opinions meant for their audit was being considered, however, guidance was awaited and it was anticipated that a method would be put in place for the 2 years following a disclaimed opinion to gradually restore full assurance. A national framework with guidance would be put in place to direct this work. With regard to inspection periods, the auditors did consider that there would be an inspection period for the financial years 2021/2022, 2022/2023 and 2023/2024 for the Council's published accounts prior to the proposed September 30 backstop.

A motion was proposed to the Committee:

"The draft statement of accounts for 2022/2023 be noted, and that it be recommended to Cabinet that:

- Position papers on key points of disagreement were prepared, which were; major repairs, depreciation and post balance sheet events;
- A tidier set of draft accounts be produced which reconciled back to the monitoring reports;
- The consequences of disclaimed accounts be investigated and planned for."

In discussion, the Committee raised concerns about the second recommendation to Cabinet, which could be considered to be disrespectful to Officers, and which did not relate to the subject of the Officer's report, which was to note the draft accounts for 2022/2023. Support was voiced for the preparation of position papers on the main points of disagreement which had been raised. It was queried whether the Finance Team had the necessary resources to meet the expectations inherent in the proposed motion, however, the Committee did note the assurance which had been

made by the Leader of the Council at the meeting, that adequate resources would be made available to the Team to meet its obligations. The Committee was concerned to investigate the issue of whether accounts with a disclaimer would on some way impede the Council's new auditors in carrying out audits. It recognised the risk of noting a set of accounts which turned out to not be acceptable to the new auditors because of disclaimer issues, was it possible to narrow the terms of the disclaimer to ensure that the accounts were of use to KPMG?

The Deputy S151 Officer supported the suggestion that the possibility of narrowing the terms of the disclaimer be investigated. With regard to the debate in relation to the preparation of position papers, the Committee was advised that a revision or re-preparation of the accounts together with a reconciliation would all form part of the Council's audit process, and so this would be a duplication of process when the primary focus of the Finance Team at present was preparing the 2023/2024 financial statements, and staff would have to be re-directed from this task to produce the reports suggested. The Committee noted the duplication of work which the suggested preparation of a tidier set of accounts would entail, and was content to remove this suggestion from the tabled motion as it recognised that this work would have to be carried out as part of the usual audit process. Consequently, the motion before the Committee was amended to:

"The draft statement of accounts for 2022/2023 be noted, and that it be recommended to Cabinet that:

- Position papers on key points of disagreement were prepared, which were; major repairs, depreciation and post balance sheet events;
- The Cabinet investigate and plan for the consequences of disclaimed accounts."

Recognising the differences of opinion which had been expressed during the debate, the Committee resolved to vote on the 2 suggested recommendations to Cabinet separately.

When considering whether or not to note the statement of accounts, Councillor Willetts called for a named vote in accordance with the Council's General Meeting Procedure Rules 9(3), and this request was supported by Councillor Sunnucks and Councillor Naylor.

Those in favour of noting the accounts:

Councillor Smith  
Councillor Jay  
Councillor Harris  
Councillor Pearson

Those against noting the accounts:

Councillor Sunnucks  
Councillor Naylor  
Councillor Willetts

*RESOLVED* that: the draft statement of accounts 2022/2023 be noted, prior to the completion of the external audit process.

*RECOMMENDED to Cabinet* that: the consequences of disclaimed accounts be investigated and planned for.

#### **425. Work Programme**

The Committee considered a report setting out its work programme for the current municipal year.

It considered that an update on the progress of the Council's external audit process be delivered to the Committee at the earliest possible opportunity in the new municipal year.

*RESOLVED* that: the contents of the work programme be note subject to the suggested additional item for the new municipal year.



**GOVERNANCE AND AUDIT COMMITTEE**

**22 May 2024**

*Present:-* Councillor Paul Dundas, Councillor Sean Kelly, Councillor Sam McLean, Councillor Sara Naylor, Councillor Paul Smith, Councillor William Sunnucks

*Substitutions:* Councillor Julie Young for Councillor Chris Pearson

*Also Present:-*

**426. Appointment of Chair**

*RESOLVED* that: Councillor Pearson be appointed Chair of the Committee for the forthcoming municipal year.

**427. Appointment of Deputy Chair**

*RESOLVED* that: Councillor Smith be appointed Deputy Chair of the Committee for the forthcoming municipal year.





18 June 2024

Report of	Strategic Housing Lead	Author	Geoff Beales ☎ 506514
Title	Review of Colchester Borough Homes Performance 2023/24 and Regulatory Update		
Wards affected	All wards		

## 1. Executive Summary

- 1.1 At the last Governance and Audit meeting attended by Colchester Borough Homes (CBH) in March 2024 a new reporting framework for 2024/25 was agreed that takes account of the new regulatory changes that commenced in April 2024. The Regulator of Social Housing (RSH) will be looking at the assurance that the Council and Councillors are getting on the safety, quality and decency of its homes. Along with this, tenants' views should be listened to and taken into account when providing services.
- 1.2 Full Council and Cabinet will receive assurance on adherence to the new RSH regulatory regime through the minutes from and work of the Governance and Audit Committee as the 'shareholder' committee of CBH, its arms length management organisation. Reporting in this way will itself support the Council in being able to evidence adherence to the new regulatory framework as the RSH will be looking at the assurance that Councillors are getting.
- 1.3 This first quarterly report of the year covers:
  - a regulation update
  - 2023/24 performance summary
  - a deep dive into the Safety and Quality Standard
  - a Housing Ombudsman Service update
  - relevant recent internal audit outcomes
  - a Tenant Scrutiny update

## 2. Recommended Decision

Committee is asked to:

- 2.1 Make any comments or recommendations to the Portfolio Holder for Housing (PfH) and CBH in respect of 2023/24 performance and, subject to this, to note the performance update contained in the report and **Appendix 1**.
- 2.2 Subject to any comments, note the regulatory update, information provided on recent internal audits, the Housing Ombudsman Service cases contained in the report and **Appendix 2** and the Tenant Scrutiny updates.
- 2.3 Note the performance and assurance information on compliance and safety and make any comments or recommendations to the PfH and CBH.

- 2.4 Agree to receive a “deep dive” into the stock quality element of the new Safety and Quality Standard as part of the quarterly report being considered at its September meeting.

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

- 3.1 CBH is a wholly owned arms length company of the Council and delivers the majority of the Council’s housing functions, in particular those connected with the Council’s housing stock and delivery of homelessness and housing advice services. As such CBH has a key role to play in contributing to the achievement of the Council’s Strategic Objectives. As the Council’s shareholder Committee it is appropriate for the Governance and Audit Committee to review CBH’s performance on a regular basis.
- 3.2 From 1 April 2024 the Council is in a new regulatory regime and it is imperative that the Council gains assurance on performance of its housing services. Where performance does not achieve the target, reasons or mitigations need to be considered to show that scrutiny has been undertaken and any risks are minimised and understood. The Council, as landlord, is responsible for meeting the regulatory requirements and should be assured of the safety, quality and decency of its homes. Along with this, tenants views should be listened to and taken into account when providing services.

### **4. Background Information**

- 4.1 As the “shareholder” Committee for the Council’s subsidiaries, updates on CBH’s performance will continue to be reported to this Committee. In addition, at its March meeting this Committee agreed to receive quarterly reports on the quality of the Council’s homes, service performance and engagement with tenants. This will provide the information for Councillors to challenge and gain assurance of compliance, through CBH’s work, with the new RSH regulatory framework that commenced in April following enactment of the Social Housing Regulation Act 2023. Performance reported to Committee in March included in respect of the new Tenant Satisfaction Measures (TSM’s) that are being submitted to the RSH this month.
- 4.2 Colchester City Council needs to be assured that its properties are decent, safe and compliant. This assessment should be made based on accurate data about the stock and about tenants. It is also a requirement that tenants views are taken into account, considered and listened to. Information on services and performance should be published and made available for tenants to scrutinise.
- 4.3 The RSH’s existing Rent Standard is also applicable to local authority housing providers. In addition, a new Competency and Conduct Standard for housing staff introduced by the Social Housing Regulation Act was subject to sector consultation earlier this year and we are awaiting, post General Election, an update on the consultation outcomes. Not regulated by the RSH is the homelessness function of the Council.

### **5. Regulation update**

- 5.1 On 1 April four new consumer standards came into force: the Safety and Quality Standard, Neighbourhood and Community Standard, Tenancy Standard, and the Transparency, Influence and Accountability Standard.
- 5.2 The Social Housing Regulation Act also introduced a new requirement for all registered providers of social housing to have a designated health and safety lead. This means that from 1 April, the City Council has been required to appoint a designated individual

responsible for monitoring compliance with health and safety requirements. The nominated officer is Philip Sullivan, Chief Executive, Colchester Borough Homes.

- 5.3 All landlords including this Council will be subject to an 'inspection'. Inspections of Local Authorities will focus solely on consumer issues and specifically the new Standards. Inspections commenced from 1 April 2024 and the Council can expect to be inspected sometime over the next four years. The Council will receive six weeks' notice and the inspection will likely include the following:
- A request for relevant information to enable a "document review"
  - Observation of meetings
  - Meetings with key people, including lead Councillors and tenants
  - An assessment of a range of evidence to check the Standards are being met
  - Follow up engagement if there are significant gaps
- 5.4 In response to the current regulatory changes we have:
- commissioned Savills to undertake a "mock inspection". This will identify further activity to assist with our preparation for an RSH inspection. The mock inspection has commenced and is planned for completion in July 2024. It includes observation of a CBH Board meeting, a document review, interviews with relevant CBH and Council representatives and observation of this Committee meeting (via the YouTube channel).
  - undertaken self-assessments against the new consumer standards to identify opportunities to enhance levels of assurance.
  - identified our health and safety lead and notified the RSH as required.
  - introduced a new regulatory assurance framework that includes the quarterly reporting to this Committee.
  - Engaged with the Colchester Institute to establish if there is a potential partnership relating to the new Competence and Conduct Standard and the professionalisation of the housing sector.
- 5.5 An introductory meeting with the RSH key contacts for Colchester has also been arranged for 17 June.

## 6. Review of Performance 2023/24

Committee is invited to review and make any comments or recommendations to the PfH and CBH in respect of the 2023/24 performance set out below and at Appendix 1:

- 6.1 **Homelessness (this is a statutory function not regulated by the RSH);** Demand was exceptionally high with 975 cases presenting during the year. At the end of March, we had 323 households living in temporary accommodation (86 households in B&B). The number of households on the Gateway to Homechoice register was 2,557 at year end. This included 468 in Band A and B waiting for a 3+ bed home.
- 6.2 **Rent collection;** 98.53% of rent was collected, above the 98% target. The total arrears outstanding at year end were £624k (1.9% as a percentage of debit raised). This was owed by 1,417 tenants, with 168 tenants owing more than £900. Around 75% of all arrears are now owed by Universal Credit (UC) claimants, which is a situation that we expect to increase with more migration of claimants to UC expected this Summer.
- 6.3 **Average days to re-let properties;** Performance for the year was 31 days against a target of 28 days. Pre tenancy end inspections have been introduced to mitigate one of the main challenges to quick turnaround of voids arising from the poor condition of homes being handed back. A new voids repairs contractor and a new void clearance contractor

were introduced during the year and the performance target of 28 days was met in each of the last 4 months.

- 6.4 **Repairs completion and satisfaction;** This has been an area of focus for improvement, with a service improvement plan developed following an internal review and a Resident Scrutiny report. Performance has improved from 74% of repairs complete on time in March 2023 to 83% at the end March 2024. Whilst improvement actions are ongoing there is good progress, particularly with the satisfaction of the in-house team at 94.87%. Customer satisfaction, including with contractors, increased alongside repair response times to 86% at year end.

The last year has been challenging financially in respect of repairs due, for example, to cost inflation and the volume of responsive repair work. Full details of costs associated with voids and responsive repairs will be contained in the HRA outturn report being considered at the July meeting of this Committee.

- 6.5 **Decent Homes Standard;** The number of properties not meeting the Standard reduced from 809 at the start of the year to 31 properties (0.52% of the stock) at year end. This is the best ever performance.

- 6.6 **Damp and mould cases:** 500 cases have been recorded and inspected in the past 12 months (compared to 374 in the previous year and 231 cases in 2022). The increased number is likely to be due in part to the national coverage of damp and mould cases as well as CBH's proactive approach to identifying cases through stock condition surveys. Resolving damp and mould cases remains a challenge due to the volume of cases and the difficulty in recruiting suitably competent staff. Temporary staff are being used at present to increase capacity.

- 6.7 **Disrepair Cases;** The Council received 7 claims of disrepair in the last quarter with 29 claims received in the past year. There are currently 41 cases open and pending settlement. During 2023/24, 12 cases were settled at a total cost to the Council of £130,274 (of which £21,328 was paid to tenants and the remainder in legal fees). Generally the same solicitors from Manchester and Liverpool are instigating the claims. A recent assessment of other social landlords indicates that CBH and Colchester City Council's position in terms of volume of cases is neither unusual nor relatively high.

## 7. **Safety and Quality Standard Deep Dive**

- 7.1 Ensuring the health and safety of our residents is critical to the Council's role as landlord. It is at the centre of service delivery along with the quality of our homes. The RSH's new Safety and Quality Standard (SQS), which came into force on 1 April 2024, defines what the regulator expects of landlord authorities. The new SQS has the following five expected outcomes:

- **Stock Quality** – the Council must have an accurate, up to date and evidenced understanding of the condition of properties, that reliably informs the provision of good quality, well maintained and safe homes for tenants. Committee is asked to receive a “deep dive” in respect of this aspect of the new Standard at its September meeting.
- **Delivery of repairs, maintenance, and planned improvements to stock** - the Council is obliged to provide repairs that are ‘effective, efficient and timely’. To facilitate this it must show that there is an easy system in place for tenants to report faults, but also which allows for ongoing communication throughout the completion of works of both timescales and responsibilities.

- **Decency** – The Council must provide decent quality homes to tenants that meet the Decent Homes Standard.
- **Health and Safety** - Enshrined throughout the new SQS is the focus on prioritising building safety for residents. The Council needs to ensure their tenants' safety in every aspect of the building. This includes, but is not limited to, meeting all legal requirements of building safety, with all assessments carried out in reasonable timescales, and responses to any emergency repair requests or complaints being delivered with tenant safety at the forefront of the action being taken.

It is also worth noting that the Department for Levelling Up, Housing and Communities has launched a consultation in respect of [Awaab's Law](#). This includes a proposal that will require landlords to complete emergency repairs, such as damp and mould, broken boilers or gas leaks, within 24 hours. Other hazards would need to be investigated within 14 days, and once identified would need to be fixed within a further 7 days.

**Adaptations** - In cases of tenant homes that need adaptations, the SQS requires clear communication to tenants on how those requiring an adaptation will be assisted.

7.2 Key aspects of the SQS are included in the CBH Medium Term Delivery Plan. In addition, the Regulator has defined a suite of Tenant Satisfaction Measures (TSM) that must be measured and reported on annually. The 2023 TSM results were reported to Committee in March 2024 and these will be published by the regulator from Autumn 2024. The table below shows a summary of CBH's performance for the year 2023/24:

<b>Safety TSM</b>	<b>Target 2023/24</b>	<b>Result 2023/24</b>
BS01 – Gas safety checks	100%	100%
BS02 – Fire safety checks	100%	100%
BS03 – Asbestos safety checks	100%	99.17%
BS04 – Water safety checks	100%	100%
BS05 – Lift safety checks	100%	100%
TP05 – Satisfaction that the home is safe	Perception survey result	67%
Electrical safety – not a TSM	100%	99.83%
<b>Quality TSM</b>		
TP02 – Satisfaction with repairs	Perception survey result	66%
TP03 – Satisfaction with time taken to complete most recent repair	Perception survey result	63%
TP04 – Satisfaction that the home is well maintained	Perception survey result	66%

RP01 – Homes that do not meet the decent homes standard	0%	0.5% (31 homes)
RP02 – Repairs completed within the target timescale	95%	82.66%

7.3 CBH Board members receive performance information against the key compliance metrics at each of their meetings and consider risk relating to the consumer standards as part of the CBH Strategic Risk Map.

## 8. Housing Ombudsman Update

8.1 The profile of the Ombudsman within the sector continues to be very high. Its Complaint Handling Code sets out requirements for member landlords that allows them to respond to complaints effectively and fairly. The purpose of the Code is to enable landlords to resolve complaints raised by residents quickly and use the data and learning from complaints to drive service improvements. From 1 April 2024, the Code became statutory meaning that member landlords are obliged by law to follow its requirements.

8.2 With increased customer awareness and ongoing media campaigns by the Ombudsman, it is likely that cases referred to them by our tenants will increase. This will mean further cases opened by the Ombudsman for investigation into CBH complaints. The Ombudsman is allowed to conduct further investigations beyond an individual complaint to establish whether any presenting evidence is indicative of a systemic failing. These reports can then be referred to the Regulator of Social Housing. There is also a new approach to sharing learning from severe maladministration cases. In a recently published report ([Learning from Severe Maladministration Cases](#)) on taking the key lessons from severe maladministration decisions, one landlord was ordered to pay the resident £6,400 in compensation for leaving him and his children with damp and mould conditions for 5 years, due to failure in dealing with a leak. This report was based around the themes of the recent spotlight report on [Attitude, Respect and Rights](#). This outlines clearly that landlords must take a 'human centric' approach and adapt to the needs of residents effectively and without stigma or marginalisation.

8.3 CBH has completed a self-assessment against the new Complaints Handling Code and this will be submitted, as required for landlords with over 1,000 homes, to the Housing Ombudsman Service by 30th June 2024. Consistent with many in the sector, CBH is continuing to see a higher volume of complaints being escalated to the Ombudsman and more findings of maladministration. These will be routinely reported as they arise to the Governance and Audit Committee along with any lessons learned from both CBH complaints and sector wide reviews.

8.4 A summary of Housing Ombudsman case findings for the year 2023/24 is attached to this report as Appendix 2. This shows the outcomes and determinations made against the Council during the year 2023/24.

8.5 Under the new code the Council is required to have a 'Member responsible for complaints' (MRC). The role is to champion a positive complaint handling culture and to provide assurance to the governing body on the efficacy of its complaints system, including challenging the data and information provided to the Board. We have two MRC's and these are Geoff Beales, Housing Strategy and Assurance Manager for the Council and Ray Sharpe, CBH Tenant Board Member.

8.6 Housemark were commissioned by CBH to carry out a complaint's accreditation assessment in late 2023. The accreditation format is made up of two stages, with the first looking at compliance with the Housing Ombudsman's Complaints Handling Code and the second element focusing on an in-depth service review. CBH successfully achieved the Housemark Complaints Accreditation, with a 'good' grading. Housemark were also satisfied that CBH is fully compliant with the Housing Ombudsman Complaints Handling Code scoring 'adequate' or 'substantial' compliance across every requirement. Several recommendations were made relating to systems, data and resources. An action plan has been created to record and monitor progress against the recommendations. Housemark noted best practice evidenced by the compliance with complaint handling times, and the commitment to capturing lessons learnt from complaints and building them into service improvement plans going forward.

## 9. Internal Audits

The following two internal audits of relevance to the new regulatory framework have recently been completed.

9.1 **Assurance Review of Tenant Satisfaction Measures;** The scope of the audit was to provide assurance that the Council and CBH have adhered to the RSH's guidance on Tenant Satisfaction Measures data collection. There are 4 potential internal audit assessments – "substantial" and "reasonable" being positive and "limited" and "no" being negative. The audit outcome was substantial assurance with no identified nor recommended actions.

9.2 **Assurance Review of Gas Servicing, Fire Safety, Legionella, Electrical Safety and other statutory compliance;** The scope of the audit was a review of compliance with the statutory requirements with respect to gas servicing, fire safety, legionella, electrical safety, asbestos management and lift maintenance. There are 4 potential internal audit assessments – "substantial" and "reasonable" being positive and "limited" and "no" being negative. The audit outcome was reasonable assurance with three recommended important actions. The recommended actions relate to work that is either already programmed or included in an action plan.

## 10. Tenant Scrutiny Update

10.1 Tenant inspection is a process where trained residents inspect the services their landlord or service provider delivers against the standards that are set for those services. CBH recruited new Inspectors in the summer of 2021, and there is now a team in place to inspect and scrutinise the services they choose on behalf of all tenants and leaseholders. All the Inspectors have undertaken formal training from TPAS to support them in their role.

10.2 All Tenant Scrutiny reports are shared in the Tenant Inspection section of the CBH website. An update on the Responsive Repairs scrutiny presented to the CBH Board in March 2023 and the Social Media scrutiny presented to Board in August 2023 was considered at the CBH Board meeting in June. The purpose of the update report was to review progress in delivering actions arising from the previously undertaken scrutinies. The update considered by Board included feedback from Inspectors involved in the original scrutinies. Where there is ongoing work the Inspectors have asked for an update to be reported to CBH's Operations Committee meeting in November and this has been included in the meeting programme.

## 11. Equality, Diversity and Human Rights implications

- 11.1 The work undertaken in homes ensures that the services remain operational and efficient, tackling inequality in living standards and providing home improvements for the tenants. This is also true of the wider Housing Investment Programme works planned through an Asset Management Strategy. The Equality Impact Assessment for the Council's Asset Management Strategy is available on the Council's website.
- 11.2 Through the Housing Procurement Strategy within the Asset Management Strategy, staff ensure that all future procurement and purchasing documentation recognises, understands, and supports the Council and CBH policies regarding equal opportunities, diversity, and human rights.

## **12. Strategic Plan References**

- 12.1 The services and projects delivered by the Council and CBH contribute directly to the following Strategic Plan 2023-2026 priority areas:
- **Respond to the climate emergency**
    - Reduce our carbon footprint.
    - Ensure Council homes benefit from increased energy efficiency.
  - **Deliver Modern Services for a Modern City**
    - The Colchester Council family of organisations work together to a shared and ambitious vision for the future of our city.
    - Continue to invest in our homes to deliver quality social homes and services for tenants and leaseholders.
    - Put communities and their needs at the heart of our vision and support local areas as they help shape and deliver services which are most important to them.
    - Work closely with partners, charities and organisations to add value.
  - **Improve health, well-being, and happiness**
    - Tackle the causes of inequality and support our most vulnerable people.
    - Work with residents and partners to address quality of life and issues of happiness.
  - **Deliver homes for those most in need**
    - Increase the number and quality and types of affordable homes.
    - Meet our duty to prevent or assist those facing homelessness.

## **13. Consultation**

- 13.1 Performance information and monitoring is developed in conjunction with CBH Board Members, Council Officers and the Portfolio Holder for Housing. As part of its development, it is also subject to scrutiny by tenant and leaseholder representatives.

## **14. Publicity Considerations**

- 14.1 The Medium-Term Delivery Plan 2022-27 has been widely distributed which contains all the performance information for 2023/24 and targets for 2024/25. Performance information reflects the move to a set of new Tenant Satisfaction Measures and a regulatory regime.

## **15. Financial implications**

- 15.1 The budget for the Housing Revenue Account is approved by Cabinet and Full Council each year. Individual contract awards for 2023/24 have been delegated by Cabinet to



the Portfolio Holder for Housing. Sufficient budgetary provision has been made to fund work to ensure that homes remain decent safe and compliant.

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

16.1 Improving and maintaining the Council's housing stock is thought to have broadly positive implications for communities across the Borough. Adhering to the new consumer standards and ensuring properties are safe and compliant forms part of the new regulatory regime that commenced in April 2024.

## **17. Health and Safety Implications**

17.1 It is a requirement of the quality element of the contract tender process that bidders demonstrate an excellent approach to the management of Health & Safety and understand the implication of both working in tenants' homes and conducting planned works in a safe manner.

17.2 Through the role of Contract Administrator Colchester Borough Homes will ensure Health and Safety and Construction, Design and Management Regulations and requirements are fully complied with throughout any programme of works in and around tenants homes.

## **18. Risk Management Implications**

18.1 Failure to operate robust governance arrangements can potentially lead to poor management, performance, stewardship of public engagement and, ultimately, poor outcomes for citizens and service users. It increases the risk that the Councils and CBH's priorities will not be delivered. Reviewing the arrangements, governance and performance and identifying and addressing the key issues minimises these risks.

## **19. Environmental and Sustainability Implications**

19.1 Ensuring properties remain desirable and in a safe condition has clear benefits for current and future tenants' health and wellbeing.

19.2 As part of the Housing Asset Management Strategy a Housing, Environmental and Sustainability Strategy has been produced. Using a specialist energy efficiency modelling database, we have looked at scenarios for delivering all our homes to EPC Band C by 2030. Funding has been secured from the Social Housing Decarbonisation Fund to ensure delivery of this target.

## **Appendices**

- Appendix 1 - Medium Term Delivery Plan 2023/24 Performance Information
- Appendix 2 - Summary of Housing Ombudsman case findings 2023/24



## Highlight Summary Report

2023/24 Q4

### Housing Options & Homelessness

Priorities	Highlights & progress to support priorities	Substantive risks (if any) to delivering the priorities
<p>Encouraging homeless prevention initiatives to prevent people from becoming homeless.</p> <p>Encouraging private sector landlords to accommodate homeless applicants.</p> <p>Reducing the number and period of time of households living in temporary accommodation by continuing to focus on improving our access to alternative accommodation and move-on accommodation.</p>	<p>The team are increasing work in the Private rented sector to secure homes to prevent and relief homelessness</p>	<p>As the reliance on temporary accommodation rises this risks costs exceeding budget. Larger household costs particularly increases the pressure on temporary accommodation and we are keen to increase permanent lets to reduce the implications of this.</p>

### Repairs & Maintenance

Priorities	Highlights & progress to support priorities	Substantive risks (if any) to delivering the priorities
<p>Delivering a good value service with high customer satisfaction.</p> <p>Tackling the challenge of recruiting skilled staff, including by developing our in-house team to upskill them in all aspects of repairs and maintenance.</p>	<p>During the fourth quarter, the work planning team was reintegrated into the repair team. Throughout this period, the team focused on year-end procedures to finalise and close out projects. While this may not be reflected in the performance metrics, significant work has been done behind the scenes.</p> <p>The repair team, along with the council call centre, participated in workshops to review and streamline internal processes, aiming to reduce unnecessary “waste” across CBH repairs operation. These sessions have proven beneficial for all team members, contributing to the development of an action plan for the team to implement.</p>	<p>A substantial number of repairs have been completed, which has had a significant impact on the budget. The repairs team has received a high volume of complaints that require direct investigation. We are also experiencing a surge in service access requests and freedom of information inquiries.</p> <p>In addition, there has been a high volume of sickness within the team, including four cases of Covid and two operations. This has put a</p>

	<p>A comprehensive review of the service has been undertaken to distinguish between qualifying repairs and more complex cases. Supervisors will soon have scheduled inspections with residents for all complex cases, planning to reduce number of complaints with communications.</p> <p>It's worth noting that the in-house team achieved their highest satisfaction score for the year during this quarter, with a remarkable 93.92%. This is a testament to the team's hard work and dedication. We look forward to maintaining this momentum in the upcoming quarters.</p>	<p>strain on our team resources. We are actively managing these challenges to ensure minimal disruption to our services.</p>
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## Housing Asset Management

Priorities	Highlights & progress to support priorities	Substantive risks (if any) to delivering the priorities
<p>Balancing the requirements of the new Decent Homes Standard, Building Safety Act and New Zero Carbon agenda in an affordable and sustainable way.</p> <p>Focusing on essential works: kitchens, bathrooms, heating, windows, doors, roof replacements, etc. whilst developing and implementing programmes to ensure we meet future challenges.</p> <p>Working with the Council to develop an action plan for the delivery of the targets detailed within the new asset management strategy.</p> <p>Supporting the Council in ensuring the long-term sustainability of its 30-year Housing Revenue Account Business Plan.</p> <p>Supporting the Council on its ambitions for the development of new homes.</p>	<p>Capital Elements: The Asset Management team exceeded their target for completion of Capital Elements, achieving 92.2% against a target of 85%. This accomplishment reflects effective prioritisation and alignment with the Asset Management Strategy.</p> <p>Energy Efficiency: The team nearly achieved the year-end target for energy efficiency, with 86.47% of properties reaching an EPC rating of C or above. This demonstrates significant progress towards a more energy-efficient portfolio.</p> <p>Forward Planning for 2024/25: The Asset Management team has proactively initiated planning for 2024/25. This planning focuses on: Resource Allocation: Optimising the allocation of resources to ensure efficient program delivery. Pre-Commencement Surveys: Conducting necessary surveys in advance to minimize delays and ensure project readiness.</p> <p>Procurement Activities: Implementing strategic procurement activities to secure efficient contracts for required works.</p>	<p>To meet the increased volume of work generated through the 2024/25 programme it will be necessary to increase resources, and procurement activities. This is occurring during challenging times, and will require a great deal of planning, inputting and processing alongside robust project management. It will be necessary to review some current practices within the team to ensure that an efficient plan is produced and executed.</p> <p>While we are actively engaged in recruiting key personnel to support the substantial workload of the 2024/25 program, we recognize the ongoing challenges in filling these roles. Our team is exploring various options to ensure timely staffing and successful programme delivery.</p>

## Sustainable Homes

Priorities	Highlights & progress to support priorities	Substantive risks (if any) to delivering the priorities
<p>Focusing on properties where an improved energy performance rating is more challenging and requires a greater investment.</p>	<p><b>High Energy Ratings:</b> Our housing stock boasts an impressive 86.47% of properties achieving an EPC rating of C or above. This signifies a healthy position and demonstrates our commitment to energy efficiency.</p> <p><b>Exceeding Benchmarks:</b> The average SAP score of 75.71 surpasses the benchmark of 71. This achievement, verified by 'Parity Portfolio' software, highlights the exceptional performance of our housing stock.</p> <p><b>Reduced Emissions:</b> Since monitoring began in 2021, we've achieved a remarkable 60kg per property/year reduction in CO2 emissions from heating. This demonstrates a tangible impact on our environmental footprint.</p> <p><b>Leading the Way:</b> The average CO2 level is 20kg per property lower than industry benchmarks (source: 'Parity Portfolio' software).</p>	<p>There is a requirement to establish and adopt a strategy for the 'harder to insulate' properties within the stock, especially where these will require a significant investment to achieve energy performance targets.</p>

## Housing Management

Priorities	Highlights & progress to support priorities	Substantive risks (if any) to delivering the priorities
<p>Welfare reform</p> <ul style="list-style-type: none"> <li>• Supporting tenants to sustain their tenancies and maintaining collection rates.</li> <li>• Continuing to develop staff knowledge and skills.</li> <li>• Working towards a better understanding of the support needs of our customers to help them sustain tenancies.</li> <li>• Being proactive and positively responding to rent arrears lessens both the likelihood of</li> </ul>	<p>Arrears have fallen across all arrears categories (except for the £701-£800 category), with low -level arrears between £1 - £200 seeing the largest reductions.</p> <p>ASB Policy has been reviewed following housing ombudsman recommendations.</p> <p>All CBH staff have now received basic domestic abuse awareness training throughout the last year to support our DAHA accreditation</p>	<p>Universal Credit migration has recommenced at a slow speed, but UC cases have now reached 2400 at the end of March 2024 (40% of all tenants) outnumbering HB cases. We estimate around 350 more cases in 2024/25. Irrespective of the work conducted by the Financial Inclusion Team and Lettings Team more UC tenants will always lead to higher rent arrears because of the nature of UC payments being monthly in</p>

<p>escalation and in turn the severity potentially saving the tenancy and preventing homelessness.</p> <p>Income collection</p> <ul style="list-style-type: none"> <li>• Developing our rent collection processes and support available to tenants.</li> <li>• Delivering effective tenancy management to reduce the money owed by former tenants.</li> </ul> <p>Community safety</p> <ul style="list-style-type: none"> <li>• Working with partners offering a range of interventions to victims and perpetrators of antisocial behaviour.</li> <li>• Ensuring that our estates and communal areas are clean and safe.</li> </ul> <p>We will provide a valued service to our leaseholders and maintaining collection rates for leasehold service charges and capital repairs will continue to be an important focus.</p> <p>We will continue to communicate more effectively to demonstrate to tenants and leaseholders that we listen and improve services.</p>		<p>arrears and initial delays in processing new applications. Significant resources are input to supporting all new tenants with UC and other benefit claims to try and prevent arrears.</p> <p>Continuing to receive increased numbers of ASB reports.</p> <p>Domestic abuse case reporting is increasing with 20 cases supported throughout 2023/24.</p>
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## Letting Homes

Priorities	Highlights & progress to support priorities	Substantive risks (if any) to delivering the priorities
<p>Starting, amending and ending tenancies more efficiently, minimising void times and rent lost through properties being empty.</p> <p>Maximising the use of Council homes, for example targeting underoccupation by promoting mutual exchanges and</p>	<p>The performance for the previous quarter has demonstrated a consistent upward trend on a month-to-month basis. The full year target was met, however, performance during the year improved and the target was met for a consecutive four-month period. Performance was very positive when compared to other national organisations, as per Housemark benchmarking.</p>	<p>Close monitoring of the new clearance process to ensure effectiveness.</p> <p>Communication between Repairs and Lettings team to avoid disruption to overall re let times.</p>

<p>encouraging tenants to downsize where appropriate.</p> <p>Carrying out pre-termination inspections to minimise delays and reduce money owed by former tenants.</p>	<p>Currently, we have 30 voids in progress, which are divided between the Houghton contractor team and our in-house team. There has been a slight decline in Houghton's performance this month, and we are actively collaborating with them to understand the underlying reasons and to rectify the situation promptly.</p> <p>All financial matters related to voids at the end of the year were accounted for within the stipulated timeframe and are presently being processed. There was an overspend on the allocated budget, primarily due to a higher number of voids than anticipated, the condition of the returned properties, and additional electrical/fire-related works required to comply with the relevant regulations.</p> <p>The Service Level Agreement with CCC for void clearance work has now concluded. We have engaged with Colchester Removal Services (CRS), who are performing well and are up-to-date with all assigned tasks, including evictions. CRS has taken over some tasks that CCC was unable to complete, which were subsequently returned to CBH.</p>	
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## Building Safety & Compliance

Priorities	Highlights & progress to support priorities	Substantive risks (if any) to delivering the priorities
<p>We will continue to ensure that high-quality health and safety and risk management frameworks are in place that ensure we can programme essential health and safety checks in respect of all areas of property compliance.</p> <p>We will put in place additional desktop and on-site checks/tests by an assurance specialist to ensure that contractors engaged on compliance works have completed their works correctly, and in accordance with relevant legislation.</p>	<p>We continue to focus on our key six compliance areas with excellent performance results across all measures. Our particular focus has been on closing down the remaining high risk fire safety actions and to begin the mobilisation of the new gas service and repairs contract with Aaron Services Ltd.</p>	<p>We will be picking up any gas services not attended to by Mears as we transition to the new contractor, Aaron Services, This will affect performance for the first couple of months of the new financial year. Aaron Services are aware of the immediate priority to ensure the impact is managed from their start date, being 1 May. They have brought in additional resources to help manage the</p>

<p>We will ensure there are robust processes in place to ensure actions arising from the above additional checks are addressed in an appropriate and timely manner.</p> <p>We will continue to monitor the impact of the Building Safety and Fire Safety Acts as they apply to the stock we manage and are planning to introduce additional work streams (e.g. planned maintenance of Fire Doors) to ensure our buildings remain safe.</p> <p>We will continue to ensure we meet all regulatory and legislative obligations.</p>		<p>workload and increase service visits during this period.</p>
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**Customer**

<b>Priorities</b>	<b>Highlights &amp; progress to support priorities</b>	<b>Substantive risks (if any) to delivering the priorities</b>
<p>We will continue to make improvements to how we:</p> <ul style="list-style-type: none"> <li>• make our services accessible.</li> <li>• communicate with customers.</li> <li>• listen to customers consistently across our business.</li> <li>• support a customer-focused culture.</li> <li>• translate customer insight and feedback into priorities &amp; service design.</li> </ul> <p>We will focus on implementing the Social Housing Regulation Bill including in relation to:</p> <ul style="list-style-type: none"> <li>• demonstrating best practice in customer engagement</li> <li>• dealing with complaints promptly and fairly</li> <li>• making improvements to our services in response to customer feedback</li> </ul>	<p>Complaints: The New Housing Ombudsman Code for complaints has been launched, and we are currently working to update our policies and procedures to meet the standards and address any gaps. We are also working on the required Self-assessment due to be submitted to the Regulator the end of June 24.</p> <p>We successfully achieved Complaints Accreditation with Housemark with a 'Good' grading. There was some very complimentary feedback and also some recommendations, which we will be addressing and drawing up an action plan.</p> <p>The newly established Complaints 'Customer Focus Panel' recently met in February and has taken a look at the complaints process and started the design of an 'Easy Read' version for people with vulnerabilities or whose English is not their first language, to increase our accessibility to customers. They will be meeting again in May to discuss the impact of the changes with the new</p>	<p>We have experienced an increase in the Housing Ombudsman cases, which is likely to continue and along with Determinations. This is a sector wide trend but does impact our resource significantly.</p> <p>To maintain our website requires ongoing resource.</p>



- ensuring customers are treated with respect.
- publicising satisfaction and other performance information.

Complaints Code, and also start looking at the customer complaints annual report.

We now have a second Member Responsible for Complaints (MRC), Geoff Beales, to accompany Ray Sharpe our Resident Board Member as MRC.

Housing Ombudsman Cases Received:  
Jan - March 2024 – 4 new cases opened by the Housing Ombudsman in this period, of which we have currently received 1 determination.

We have also recently received 1 determination relating to a case submitted to the Housing Ombudsman Service in July 2023.

A reminder of early requirements for complaint handling was sent out to all Responding Officers.

Service Improvement:  
Use of the Improvements log/lessons learnt is progressing and service areas are identifying improvements and capturing the monitoring achievements/actions, outcomes, measures, impact, and costs.

Communication has been identified as a major theme for improvement. Meetings have been set up with all teams across CBH to address these diverse issues, to discuss best practice, methods and effective channels of communication and also address the barriers and challenges people face.

Customer Involvement:  
The tenant Inspectors have now submitted their 4th Review, which is scrutiny of the Lettings process, this is due to go to the CBH Board in June.

There are many resident engagements taking place including consultations, new coffee and chats and the

pending launch of the Residents Performance Dashboard.

Gurden Road playpark opening following resident consultation.

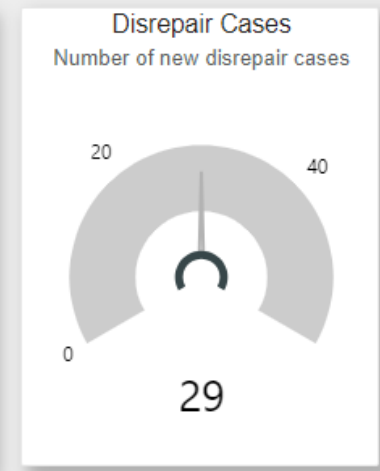
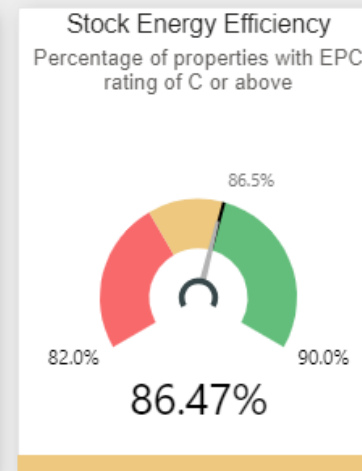
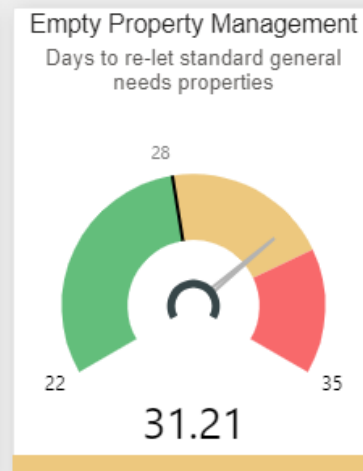
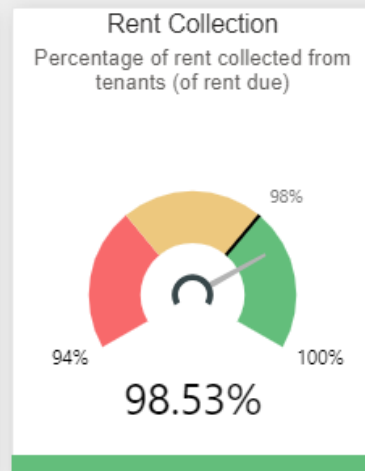
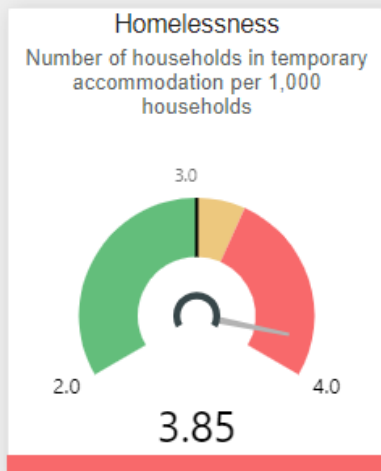
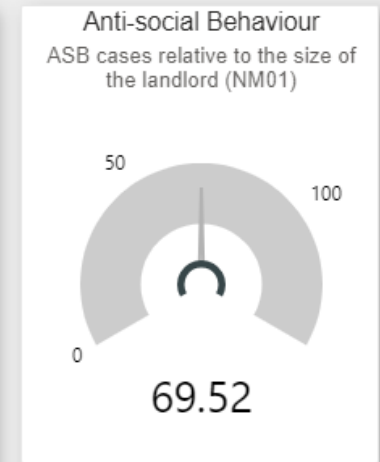
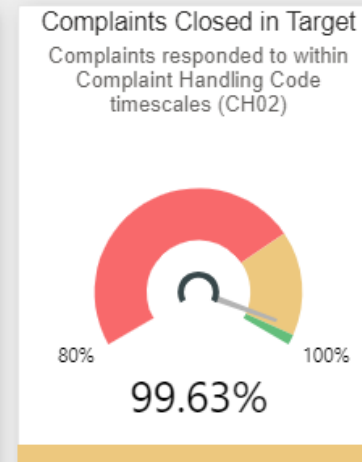
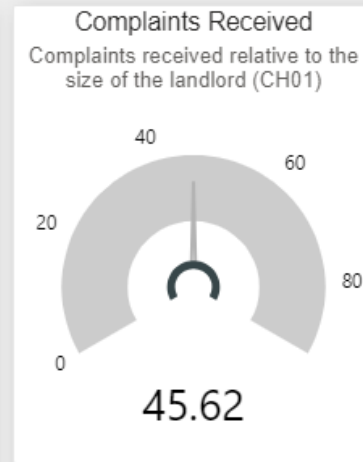
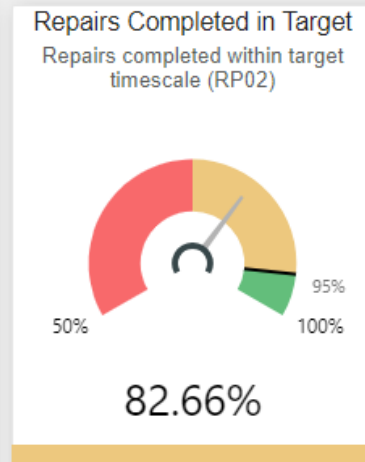
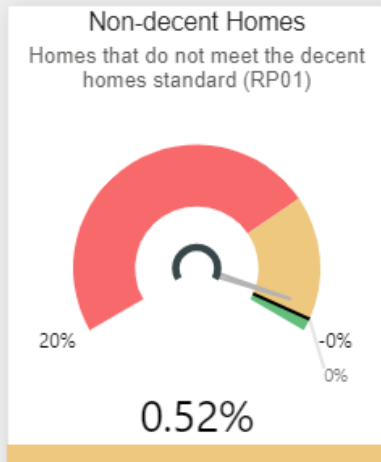
The first Tenant Satisfaction Measures returns to the Regulator are due to be submitted at the end of June 2024, and we have already started working towards the next annual TSM survey this for summer.

We recently completed a TSM survey Audit with TIAA. At the closure meeting there were no actions or recommendations to note.

Launch of Customer Dashboard at Residents Voice on 16th April 24.

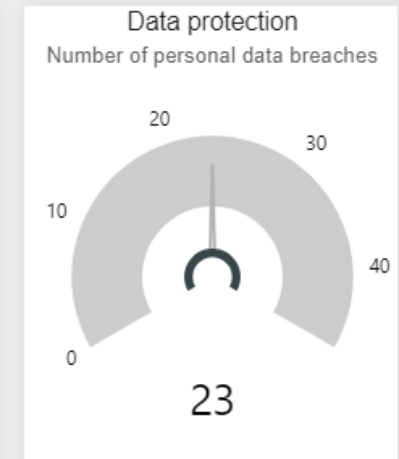
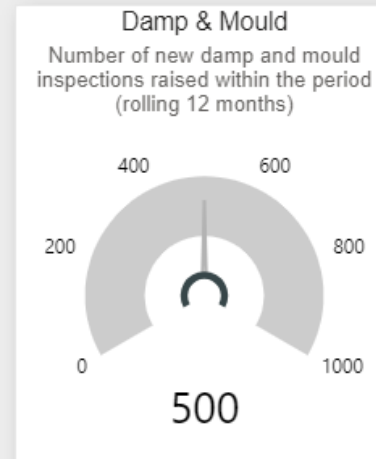
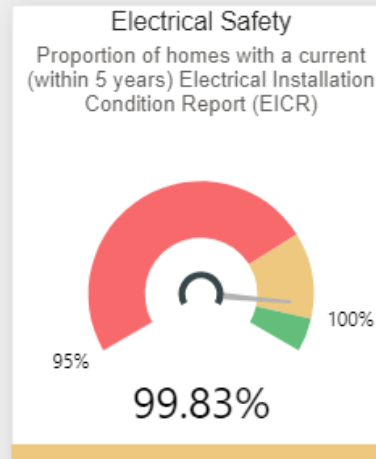
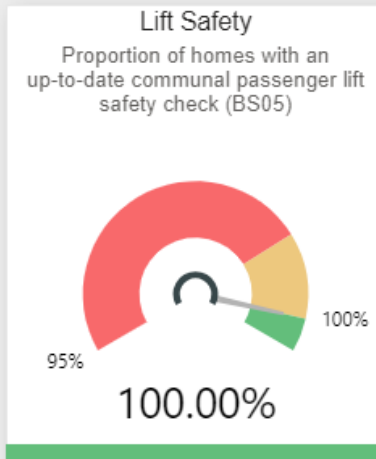
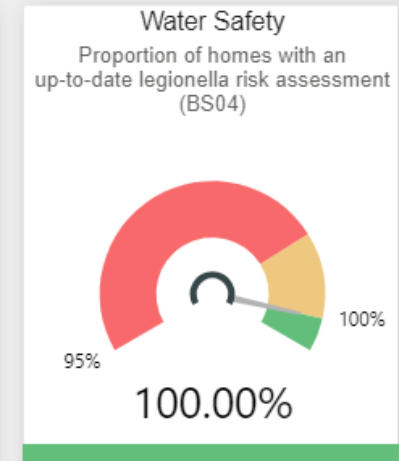
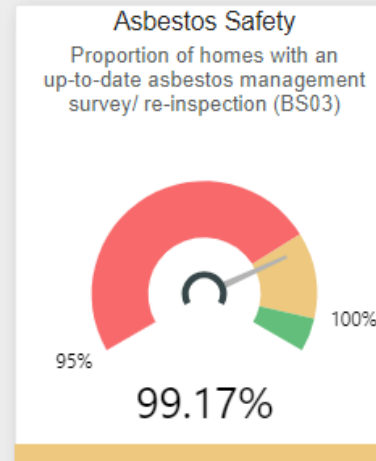
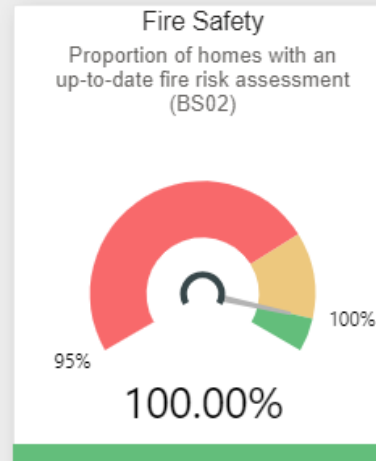
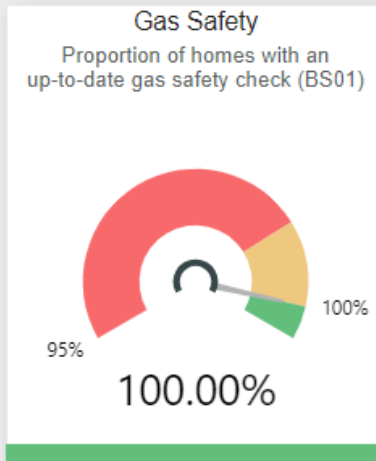
# Management Performance Summary

Year to date results



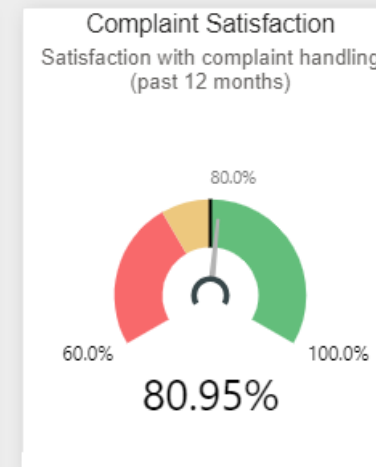
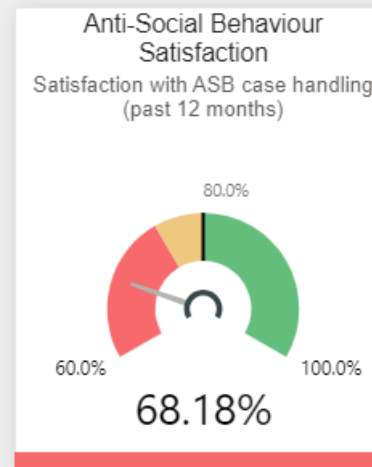
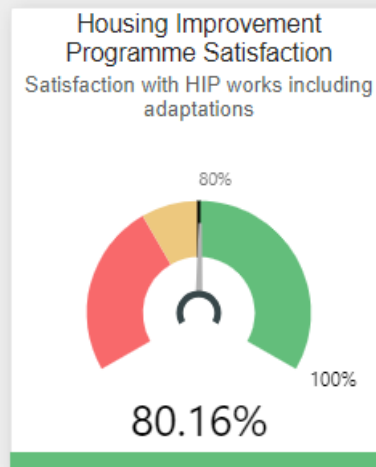
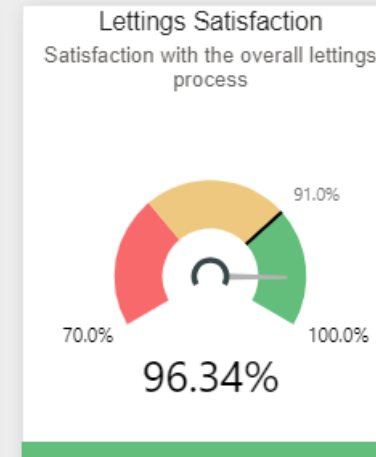
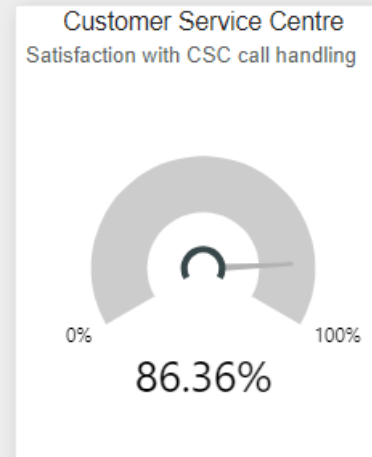
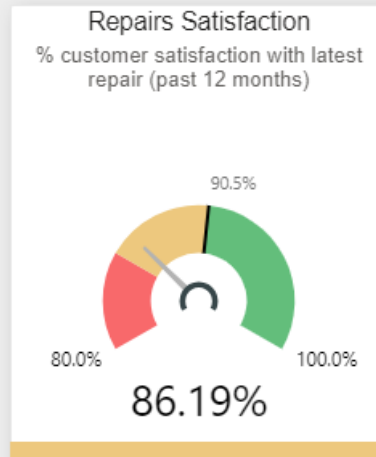
# Compliance Summary

Year to date results



## Satisfaction Summary

Year to date results





Ombudsman	Determination Received	Outcome and orders	Compensation
<p>Housing Ombudsman</p> <p>The case was about:</p> <ul style="list-style-type: none"> <li>The resident's reports about a neighbour's cat entering her home and garden.</li> <li>The resident's reports about a neighbour's garden overgrowing onto her walkway.</li> </ul>	<p>02/05/2023</p>	<ul style="list-style-type: none"> <li>There was no maladministration about a neighbour's cat entering her home or garden.</li> <li>There was no maladministration about a neighbour's garden overgrowing onto her walkway.</li> </ul> <p>Recommendation to:</p> <ul style="list-style-type: none"> <li>Liaise with the resident and the owner, to re-offer the water-sprayer, if the owner is agreeable.</li> <li>Ensure it provides residents with sufficient information regarding the action it is taking when an issue concerns a neighbouring property. This should be in line with General Data Protection Regulations.</li> </ul>	<p>£0</p>
<p>Housing Ombudsman</p> <p>The case was about:</p> <ul style="list-style-type: none"> <li>The landlord's response to the resident's reports of damage to their garage including exposed asbestos.</li> </ul>	<p>21/06/2023</p>	<ul style="list-style-type: none"> <li>There was no maladministration by the landlord in respect of the handling of the damage to the resident's garage.</li> </ul> <p>No recommendations or orders.</p>	<p>£0</p>
<p>Housing Ombudsman</p> <p>The case was about:</p> <ul style="list-style-type: none"> <li>The landlord's handling of the resident's concerns about the condition of her new home.</li> <li>The landlord's handling of the resident's concerns about pests in the property.</li> </ul>	<p>28/07/2023</p>	<ul style="list-style-type: none"> <li>Maladministration in relation to the landlord's handling of the resident's concerns about the condition of her new home.</li> <li>Service failure in relation to the landlords handling of the resident's concerns about pests in the property.</li> </ul> <p>Orders to:</p> <ul style="list-style-type: none"> <li>Write to the resident to apologise for service failures.</li> <li>Provide the resident with written confirmation of any outstanding work, and action plan including timescales for completion.</li> <li>Pay the resident £250 compensation for inconvenience and distress caused to her.</li> <li>Review the case in relation to its void standard.</li> </ul>	<p>£290</p>

Ombudsman	Determination Received	Outcome and orders	Compensation
<p>Housing Ombudsman</p> <p>The case was about:</p> <ul style="list-style-type: none"> <li>The landlord's response to the resident's reports of antisocial behaviour.</li> <li>The Ombudsman also considered the landlord's complaint handling.</li> </ul>	<p>30/08/2023</p>	<ul style="list-style-type: none"> <li>Severe maladministration by the landlord in its response to reports of ASB.</li> <li>Maladministration by the landlord in its complaint handling.</li> </ul> <p>Orders to:</p> <ul style="list-style-type: none"> <li>Apologise for failing to manage the ASB case effectively.</li> <li>Review failings of the case and provide refresher training to relevant people.</li> <li>Review ASB policy and procedure to ensure a risk centred approach, including the use of risk assessments and action plans.</li> <li>Review Remedies Policy.</li> <li>Develop a management move policy and/or procedure.</li> </ul>	<p>£1250</p>
<p>Housing Ombudsman</p> <p>The case was about:</p> <ul style="list-style-type: none"> <li>The complaint is about the landlord's response to the resident's: <ul style="list-style-type: none"> <li>a. Reports about damp and mould.</li> <li>b. Reports about a pest infestation.</li> <li>c. Concerns about the conduct of the landlord's staff.</li> </ul> </li> <li>The Ombudsman has also considered the landlord's complaint handling and record keeping.</li> </ul>	<p>13/12/2023</p>	<ul style="list-style-type: none"> <li>There was no maladministration in the landlord's response to the resident's reports about damp and mould.</li> <li>The landlord's response to the resident's reports about a pest infestation, was not within the Ombudsman's jurisdiction.</li> <li>The landlord's response to the resident's concerns about the conduct of the landlord's staff, was not within the Ombudsman's jurisdiction.</li> <li>There was service failure in the landlord's complaint handling and record keeping.</li> </ul> <p>Orders to:</p> <ul style="list-style-type: none"> <li>pay compensation of £100 directly to the resident in recognition of the resident's inconvenience, time and trouble, caused by failures in complaint handling and record keeping. (recording of property inspections).</li> </ul>	<p>£100</p>



Ombudsman	Determination Received	Outcome and orders	Compensation
<p>Housing Ombudsman</p> <p>The case was about:</p> <ul style="list-style-type: none"> <li>The landlord's handling of an allegation of Anti -Social Behaviour ("ASB") against the complainant.</li> </ul>	<p>18/12/2023</p>	<ul style="list-style-type: none"> <li>Maladministration landlord's handling of an allegation of Anti-Social Behaviour against the resident.</li> <li>The landlord was reasonable to undertake an investigation into the allegation. Having undertaken an investigation, the landlord was reasonable to conclude that it was outside its jurisdiction as it was a land dispute that did not impact properties managed or controlled by the landlord.</li> <li>There were, however, some failings by the landlord in its handling of the matter. The landlord should have given the resident notice that it was visiting her in person to discuss the matter, particularly given her known health conditions. It should have provided written confirmation to the resident that it was not acting against her regarding the ASB allegation. The landlord also should not have provided information or advice regarding the third-party property dispute.</li> </ul> <p>Orders to:</p> <ul style="list-style-type: none"> <li>pay the resident £500 compensation for distress and inconvenience within four weeks of the date of this Determination.</li> </ul>	<p>£500</p>
<p>Housing Ombudsman</p> <p>The case was about:</p> <ul style="list-style-type: none"> <li>The landlord's handling of the resident's reports of a leak affecting his property.</li> <li>The Ombudsman has also considered the landlord's complaints handling.</li> </ul>	<p>26/03/2024</p>	<ul style="list-style-type: none"> <li>There was severe maladministration in the landlord's handling of the resident's reports of a leak.</li> <li>There was service failure in the landlord's handling of the resident's complaint.</li> </ul> <p>Orders to:</p> <ul style="list-style-type: none"> <li>Pay the resident the sum of £1104.90 compensation.</li> <li>An executive officer should offer to meet the resident in person to apologise for the failings identified in this report.</li> </ul>	<p>£1104.90 calculated as:</p> <ul style="list-style-type: none"> <li>£254.90 amenity loss calculation (10% of weekly rent of £74.97 over 34 weeks)</li> <li>£800 for distress and inconvenience</li> </ul>

Ombudsman	Determination Received	Outcome and orders	Compensation
		<ul style="list-style-type: none"> <li>Carry out refresher training with its Complaint Handlers involved in this case with a particular focus on carrying out investigations, compliance with The Code and identifying lessons learned.</li> <li>Review the failings identified in this report against the Ombudsman's spotlight reports on knowledge and information management, and on attitude, respect and rights.</li> </ul>	<p>caused by the landlord's handling of the report of a leak.</p> <ul style="list-style-type: none"> <li>£50 for inconvenience caused in the handling of the complaint.</li> </ul>
<p>Local Government and Social Care Ombudsman</p> <p>The case was about:</p> <ul style="list-style-type: none"> <li>The Council's failure to act on reports of damp, mould, and lack of means of escape in the event of a fire in the privately rented property she was placed in after she was forced to leave a previous dangerous property.</li> </ul>	<p>18/07/2023</p>	<ul style="list-style-type: none"> <li>No evidence of complainant reporting issues when she first moved in. No fault found due to lack of evidence.</li> <li>The property inspection does not show evidence that it considered a means of escape from the ground floor accommodation. Fault found. This caused some injustice.</li> </ul> <p>Orders to:</p> <ul style="list-style-type: none"> <li>Provide a written apology for failing to: show it considered the means of escape from the accommodation when it carried out its inspection.</li> <li>Remind officers of the need to make and retain evidence of consideration given to the means of escape during inspections.</li> <li>Review whether the inspection form needs amending to show consideration.</li> </ul>	<p>£0</p>
<p>Local Government and Social Care Ombudsman</p> <p>The case was about:</p> <ul style="list-style-type: none"> <li>The Council and Housing Associations have failed to deal with his reports of antisocial behaviour going back to 1995.</li> </ul>	<p>06/09/2023</p>	<ul style="list-style-type: none"> <li>No investigation by LGSCO as the Council had already dealt with matters in 2015 and 2021.</li> </ul>	<p>£0</p>

Ombudsman	Determination Received	Outcome and orders	Compensation
<p>Local Government and Social Care Ombudsman</p> <p>The case was about:</p> <ul style="list-style-type: none"> <li>The Council when he was homeless ended his accommodation at a hotel without good reason and with insufficient notice.</li> </ul>	<p>14/09/2023</p>	<ul style="list-style-type: none"> <li>Council failed to provide sufficient notice that it was ending his temporary accommodation in February 2022.</li> <li>Delay in carrying out a medical assessment.</li> </ul> <p>Orders to:</p> <ul style="list-style-type: none"> <li>Apologise to the complainant.</li> <li>Pay a total of £500 compensation: £250 for the insufficient notice that the interim accommodation was ending and £250 for the delay in carrying out a medical assessment.</li> <li>Reviews its procedures to ensure where a homeless applicant raises medical issues that the Council completes a medical assessment in a timely manner and reaches a decision on priority need.</li> </ul>	<p>£500</p>
<p>Local Government and Social Care Ombudsman</p> <p>The case was about:</p> <ul style="list-style-type: none"> <li>The Council failed to properly consider the suitability of her temporary accommodation.</li> </ul>	<p>10/11/2023</p>	<ul style="list-style-type: none"> <li>Investigation discontinued.</li> <li>The Council re-house the applicant to a home that met her needs.</li> </ul>	<p>£0</p>
<p>Local Government and Social Care Ombudsman</p> <ul style="list-style-type: none"> <li>Banding award</li> </ul>	<p>27/02/2024</p>	<ul style="list-style-type: none"> <li>No investigation as unlikely to find any fault with Council's actions.</li> </ul>	<p>£0</p>



18 June 2024

<b>Report of</b>	<b>The Section 151 Officer</b>	<b>Author</b>	<b>Chris Hartgrove</b> ( <a href="mailto:chris.hartgrove@colchester.gov.uk">chris.hartgrove@colchester.gov.uk</a> )
<b>Title</b>	<b>Treasury Management Strategy 2024/25</b>		
<b>Wards affected</b>	Not applicable		

## 1. Executive Summary

- 1.1 The preparation of an annual Treasury Management Strategy is a requirement of CIPFA's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) and generally accepted good practice. It covers planned treasury activity for the financial year 2024/25 and is attached at **Appendix A**.
- 1.2 In addition, following the issue of (MHCLG) statutory guidance on Local Government Investments in 2018, the Council is also recommended to produce an annual Investment Strategy, covering the Council's wider investment activities.
- 1.3 The Finance team has faced significant resource challenges in recent years, which have been exacerbated by major delays and disruption caused by the backlog in the external audit process (a national problem). This has had a detrimental impact on the standard and timeliness of reporting in some instances. In response, the Council has entered a shared services partnership with Epping Forest District Council for the provision of its core Finance function. Fledgling arrangements were progressively developed during 2023/24, but during this transitional phase, the component parts of the Financial Planning and Reporting process had to be prioritised in accordance with available professional capacity, with the Statement of Accounts' and the 2024/25 Budget taking precedence.
- 1.4 Nevertheless, responding to Scrutiny feedback, and in the interests of transparency, an "abridged" version of the Treasury Management Strategy 2024/25 was presented alongside the 2024/25 Budget adopted by full Council on 21st February 2024. This report updates the abridged document and more formally establishes a Treasury Management Strategy for 2024/25, which will be monitored and reported to the Committee on a quarterly basis in accordance with the new CIPFA Code 2021.
- 1.5 A separate Investment Strategy for 2024/25, which is also a good practice requirement, and would normally be appended to the Treasury Management Strategy, is under development at the time of reporting, with clarifications awaited regarding the Council's Service and Commercial Investments as the 2023/24 year-end is finalised (in the context of hibernating Council companies) and the implementation of the Corporate Landlord model progresses (which affects Asset classifications). It is expected that the updated Investment Strategy, will be available for presentation to the September 2024 Committee.
- 1.6 Both borrowing and investing is taking place against a backdrop of significantly higher interest rates than have been seen for many years; although there are strong indications that interest rates have now peaked, with rate reductions anticipated soon.

- 1.7 The purpose of this report is to allow the Governance and Audit Committee to consider and comment on the Treasury Management Strategy, before making appropriate recommendations to full Council on 17th July 2024.

## **2. Recommended Decisions**

- 2.1 To consider and recommend for approval by full Council, the draft Treasury Management Strategy 2024/25 (attached at **Appendix A**); and
- 2.2 To note the current position regarding the draft Investment Strategy 2024/25

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

- 3.1 To provide assurance to full Council that the risks associated with Treasury Management and are being appropriately managed.

## **4. Alternative Options**

- 4.1 In accordance with its constitutional terms of reference, the Committee has the discretion to make any comments and/or recommendations that it so chooses for the consideration of full Council.

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

- 5.1 None.

## **6. Standard References**

- 6.1 The capital investment plans included within the overall Capital Programme for 2024/25 (both General Fund and HRA) reflect the Council's priorities within the three-year Strategic Plan 2023-26 "A City fit for the Future".
- 6.2 Treasury Management in the Public Services: Code of Practice (2021 Edition) published by CIPFA December 2021.
- 6.3 (MHCLG) Statutory Guidance on Local Government Investments (3rd Edition). Issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1st April 2018.

## **7. Environmental and Sustainability Implications**

- 7.1 None.

## **8. Appendices**

- 8.1 Draft Treasury Management Strategy 2024/25 – **Appendix A**

## Treasury Management Strategy 2024/25 (DRAFT)

### Introduction

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year. Subject to a short publication delay, this report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

### External Context

The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming General Election, together with war in Ukraine and the Middle East, will be major influences on the Council's Treasury Management Strategy for 2024/25.

UK inflation continued to decline during 2023/24 from the 8.7% rate seen at the start of the financial year. By the last quarter, Consumer Price Inflation (CPI) had fallen to 3.4% in February 2024 but was still above the Bank of England's 2.0% target at the end of the period.

The UK economy entered a 'technical recession' in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year, GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics (ONS) reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased the Bank Rate to 5.25% in August 2023. The Bank Rate was maintained at 5.25% through to March 2024. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June 2024, the MPC's focus remained on assessing how long interest rates would need to be restrictive to control inflation over the medium term.

### Updated Interest Rate Forecast

The Council's Treasury Advisors, Link most recently updated their Interest Rate Forecast on 29th May 2024, in the light of the Bank of England's decision to keep the Bank Rate on hold at 5.25% once again on 9th May 2024. Their forecast for future rates remains firmly down though as presented below in Table 1 below.

**Table 1: Forecast Interest Rates (Link 29th May 2024)**

	June 24	Sept 24	Dec 24	Mar 25	June 25	Sept 25	Dec 25	Mar 26	June 26	Sept 26	Dec 26	Mar 27
Bank Rate	5.25	5.00	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
PWLB 10 Year	5.00	4.80	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
PWLB 25 Year	5.30	5.20	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
PWLB 50 Year	5.10	5.00	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

The rates quoted in Table 1 above reflect the "Certainty Rate" (a 0.2% discount) available to the Council on PWLB borrowing (a further temporary reduction of 0.4% is currently available HRA loans). Link have marginally increased PWLB forecasts, typically by 0.2% to 0.30%, across the reported period compared to their February 2024 forecast, due to increased uncertainty surrounding central gilt market forecasts. However, the overall longer-run trend is for gilt yields and PWLB rates to fall back, as inflation continues to fall throughout 2024 and 2025.

### Local Context

At close of business on 31st March 2024, the Council held £151.6 million Borrowing and £20.5 million in Treasury Investments. This is set out in further detail in Tables 4, 5, 6 and 7 below. Forecast changes in these sums are shown in the Balance Sheet analysis in Table 2 below.

**Table 2: Balance Sheet Summary and Forecast**

	31/03/24 Estimated £m's	31/03/25 Forecast £m's	31/03/26 Forecast £m's	31/03/27 Forecast £m's
General Fund CFR	46.2	59.5	59.5	58.1
HRA CFR	201.6	230.9	267.0	301.8
<b>Total CFR</b>	<b>247.8</b>	<b>290.4</b>	<b>326.5</b>	<b>359.9</b>
Less: Other debt liabilities*	0	0	0	0
<b>Less: External borrowing</b>	<b>(151.6)</b>	<b>(141.8)</b>	<b>(141.8)</b>	<b>(141.8)</b>
<b>Internal borrowing</b>	<b>96.2</b>	<b>148.6</b>	<b>184.7</b>	<b>218.1</b>
Less: Balance Sheet Resources	(116.6)	(106.8)	(111.8)	(86.8)
<b>(Investments)/ New Borrowing</b>	<b>(20.4)</b>	<b>41.8</b>	<b>72.9</b>	<b>131.3</b>

\*Leases and PFI liabilities that form part of the Council's total debt



The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while Balance Sheet resources are the underlying sums available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Council has an increasing CFR due to the Capital Programme and will therefore be required to take out further (new) borrowing up to £131.3 million over the forecast period (2024/25 to 2026/27). In the short-term (up to 31st March 2025), external borrowing is assumed to increase by £41.8 million. No principal repayments are anticipated on existing Borrowing over the three-year period (due to the prevalence of Maturity Loans).

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2024/25.

### **Liability Benchmark**

To compare the Council's actual borrowing against an alternative strategy, a Liability Benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £20.0 million at each year-end to maintain adequate liquidity but minimise credit risk.

The Liability Benchmark is an important tool to help establish whether the Council is likely to be a Long-Term Borrower or Long-Term Investor in the future, and so shape its strategic focus and decision making. The Liability Benchmark itself represents an estimate of the cumulative amount of External Borrowing the Council must hold to fund its current Capital and Revenue plans while keeping Treasury Investments at the minimum level required to manage day-to-day cash flow.

The *estimated* position presented to full Council on 21st February 2024 is reproduced below in Table 3. It should be noted that there will be *small* underlying differences in the very latest position due to late movements in the Treasury Management profile and the Capital Financing Requirement (both of which have subsequently crystallised in March 2024). However, there has been no material change in the profile based on the 2023/24 outturn and an updated Liability Benchmark reflecting the position as of 30th June 2024, will be prepared (with the support of Link) and presented to the Committee in September 2024.

**Table 3: Prudential Indicator: Liability Benchmark (@ February 2024)**

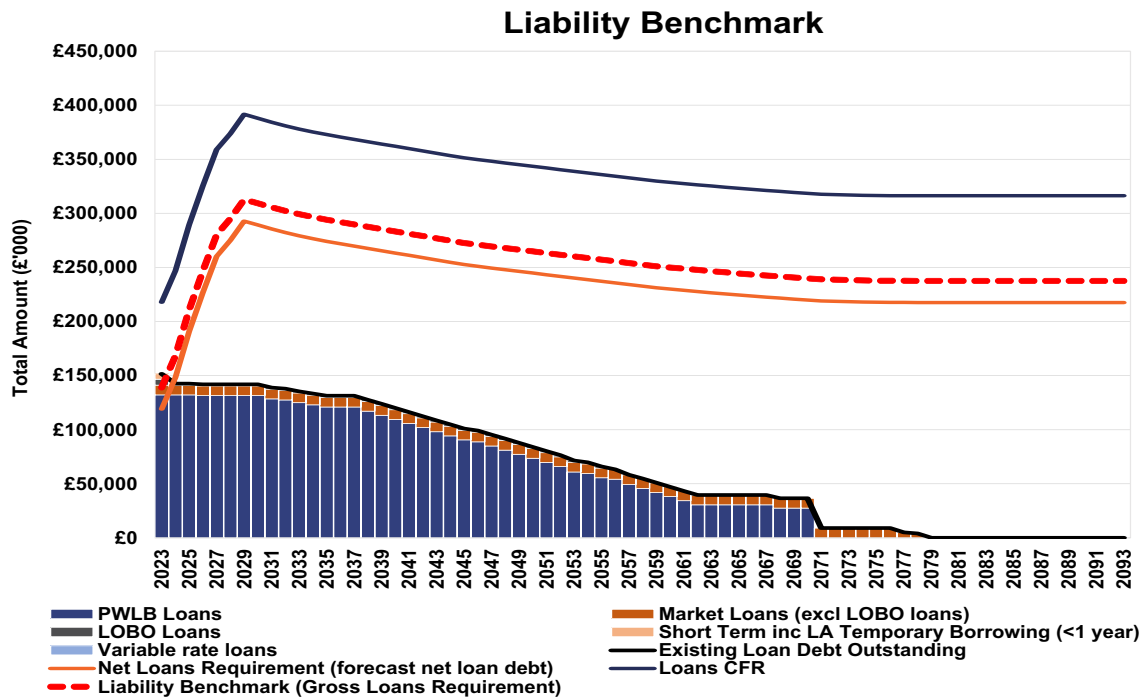


Table 3 above shows the potential level of external borrowing via the Loans CFR line (thick blue line). If capital schemes are deferred or delayed that line will be revised downwards. Moreover, because of the resilience of the Council’s cash backed reserves and balances, the Council is more likely to borrow up to the Liability Benchmark (the broken red line), which also assumes that the Council will maintain at least £20 million cash investments in the way of a liquidity buffer, split £15.0 million General Fund and £5.0 million HRA.

**Borrowing Strategy**

The Council currently (@ 31st March 2024) holds £151.6 million in loans, a reduction of £5.0 million compared to 31st March 2023, as part of its strategy for funding previous years’ capital programmes. The Council’s current lenders are the PWLB, Banks and other local authorities. There are total loans of £132.1 million outstanding with the PWLB as summarised in Table 4 below.

**Table 4: PWLB Borrowing**

<b>PWLB Loans (@ 31st March 2024)</b>			
<b>Description</b>	<b>Amount (£'s)</b>	<b>Interest Rate (%)</b>	<b>Maturity Date</b>
Fixed Rate - Maturity	3,800,000	3.52	16/10/2043
Fixed Rate - Maturity	3,800,000	3.46	16/10/2037
Fixed Rate - Maturity	3,800,000	3.49	17/10/2059
Fixed Rate - Maturity	3,800,000	3.53	18/10/2047
Fixed Rate - Maturity	700,000	4.875	09/05/2025
Fixed Rate - Maturity	900,000	4.625	15/11/2038
Fixed Rate - Maturity	3,800,000	3.5	15/11/2041
Fixed Rate - Maturity	3,800,000	3.52	18/11/2044
Fixed Rate - Maturity	3,800,000	3.53	18/11/2050
Fixed Rate - Maturity	3,800,000	3.49	19/11/2060
Fixed Rate - Maturity	2,500,000	4.45	20/05/2032
Fixed Rate - Maturity	1,300,000	8.875	21/05/2055
Fixed Rate - Maturity	3,000,000	4.55	21/05/2030
Fixed Rate - Maturity	1,000,000	4.25	21/11/2031
Fixed Rate - Maturity	2,000,000	4.25	21/11/2033
Fixed Rate - Maturity	3,800,000	3.52	15/12/2051
Fixed Rate - Maturity	3,800,000	3.48	16/12/2039
Fixed Rate - Maturity	3,800,000	3.48	16/12/2061
Fixed Rate - Maturity	3,800,000	3.53	18/12/2048
Fixed Rate - Maturity	1,594,000	3.51	16/01/2054
Fixed Rate - Maturity	3,800,000	3.52	18/01/2047
Fixed Rate - Maturity	3,800,000	3.49	18/01/2041
Fixed Rate - Maturity	1,000,000	3.7	21/01/2050
Fixed Rate - Maturity	3,500,000	4.5	12/08/2057
Fixed Rate - Maturity	2,900,000	3.47	18/02/2039
Fixed Rate - Maturity	2,000,000	4.8	12/08/2034
Fixed Rate - Maturity	2,800,000	3.53	18/02/2050
Fixed Rate - Maturity	3,800,000	3.51	19/02/2055
Fixed Rate - Maturity	2,500,000	4.25	25/08/2056
Fixed Rate - Maturity	5,000,000	4.25	08/03/2053
Fixed Rate - Maturity	2,500,000	4.05	28/09/2056
Fixed Rate - Maturity	3,800,000	3.5	28/03/2059
Fixed Rate - Maturity	1,800,000	3.52	28/03/2046
Fixed Rate - Maturity	3,800,000	3.51	28/03/2043
Fixed Rate - Maturity	3,000,000	2.29	23/06/2067
Fixed Rate - Maturity	17,500,000	1.18	15/05/2070
Fixed Rate - Maturity	10,000,000	2.0	04/03/2071
<b>Total PWLB</b>	<b>132,094,000</b>		

Local authorities are able to access preferential interest rates on PWLB loans (known as the “Certainty Rate”; currently a 0.2% discount on published rates) provided they submit a high-level description of their capital spending and financing plans (whether it is financed through PWLB borrowing or another source) for the following three years (meaning any capital spending and financing for the whole current financial year and subsequent two financial years), including their expected use of the PWLB.

The PWLB lending terms are contained in *Circular 163* (issued 21st October 2021). The updated terms now explicitly forbid borrowing for the purposes of purchasing investment assets primarily for yield. Thus Paragraph 41 requires that – before a loan can be granted – the Council’s Section 151 Officer must confirm that the Council does not plan to:

- Use the PWLB to refinance any prior investment asset primarily for yield transactions which concluded after 25th November 2020; and/or
- Buy investment assets primarily for yield in the next three years.

The Council also has outstanding loans of £9.0 million with other local authorities as summarised in Table 5 below.

**Table 5: Local Authority Borrowing**

<b>Local Authority Loans (@ 31st March 2024)</b>			
<b>Description</b>	<b>Amount (£'s)</b>	<b>Interest Rate (%)</b>	<b>Maturity Date</b>
London Borough Havering	5,000,000	6.5	10-Jun-24
Middlesborough	4,000,000	6.35	18-Apr-24
<b>Total Local Authority Loans</b>	<b>9,000,000</b>		

In addition, the Council has other outstanding loans of £10.5 million with Banks as summarised in Table 6 below.

**Table 6: Other Borrowing**

<b>Other Loans (@ 31st March 2024)</b>			
<b>Description</b>	<b>Amount (£'s)</b>	<b>Interest Rate (%)</b>	<b>Maturity Date</b>
<b>Market Loans</b>			
Barclays Bank	5,000,000	4.5	24-Jul-76
Barclays Bank	4,000,000	4.01	30-Apr-78
<b>LOBOs</b>			
Danske	1,500,000	3.53	26-Jan-56
<b>Total Local Authority Loans</b>	<b>10,500,000</b>		

The Council expects to borrow up to £203.6 million in 2024/25 (if the minimum Investment balance of £20.0 million illustrated in Table 2 is achieved). The Council may also borrow additional sums to pre-fund future years’ requirements, providing the Authorised Limit for Borrowing of £316.225 million is not exceeded.

## Objectives

The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

## Strategy

Given the significant cuts to local government funding in recent years, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium-term to (preferably) use internal resources, or to borrow short-term loans instead.

By doing so, the Council reduces its net borrowing costs (despite foregone investment income) and reduces overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Link will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity to retain its access to PWLB loans.

Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may take out further short-term loans to cover unplanned cash flow shortages.

## Sources of Borrowing

The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Essex County Pension Fund)
- Capital market bond investors; and
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

## Other sources of Debt Finance

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase; and
- Sale and leaseback.

### Short-Term and Variable Rate Loans

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the Treasury Management indicators below.

### Debt Rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

### Treasury Investment Strategy

The Council holds significant invested funds, representing income received in advance of expenditure, plus balances and reserves held. The Strategy is to include a "Liquidity Allowance" of £20.0 million.

The Council currently (@ 31st March 2024) holds £20.5 million in Investments, representing a planned decrease of £12.0 million compared to 31st March 2023. The overall position is summarised in Table 7 below.

**Table 7: Treasury Management Investments**

<b>Investments (@ 31st March 2024)</b>		
<b>Counterparty</b>	<b>Amount (£'s)</b>	<b>Interest Rate (%)</b>
<b>Long Term Investments (maturity &gt; 12 months)</b>		
None	N/A	N/A
<b>Short Term Investments (maturity &lt; 12 months)</b>		
Eastleigh BC	5,000,000	5.57
Wirral MBC	5,000,000	5.5
Lloyds	1,500,000	5.14
<b>Cash and Cash Equivalents (instant access)</b>		
BNP Paribas	4,000,000	5.25
Federated Hermes	5,000,000	5.25
<b>Total Investments</b>	<b>20,500,000</b>	

## Objectives

The CIPFA Code requires the Council to invest its Treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, to maintain the spending power of the sum invested. The Council also aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

## Strategy

As demonstrated by the Liability Benchmark above, the Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments.

## ESG Policy

Environmental, Social and Governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level.

Nevertheless, the Council is mindful of its ESG responsibilities and only invests in banks and funds that have Link approval. This ensures (through an annual check) – for example – that approved banks remain signatories to the UN Principles for Responsible Banking and approved Money Market Fund managers remain signatories to the UN Principles for Responsible Investment.

## **Approved Counterparties**

The Council may invest its surplus funds with any of the listed counterparty types, comprising two investment categories – Specified and Non-Specified Investments, subject to pre-determined/authorised limits.

- Specified Investments - these are sterling investments of not more than one year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small (see Table 8a); and
- Non-Specified Investments – these are investments that do not meet the Specified Investment criteria. A limit of the lesser of £20.0 million, or 50% of the portfolio, will be held in aggregate in Non-Specified Investments (see Table 8b).

**Table 8a: Treasury Investment Counterparties and Limits (Specified Investments)**

Specified Investments: Counterparties and Limits			
Organisation Type	Minimum Credit Criteria	Investment Limit (£000s)	Maturity Limit (Days/Months/Years)
Banks and Building Societies	Yellow	10,000	1 Year
	Purple	10,000	1 Year
	Orange	10,000	1 Year
	Blue	10,000	1 Year
	Red	7,500	6 Months
	Green	5,000	100 Days
	No Colour	Not to be used	
UK Government Gilts	UK Sovereign Rating	10,000	1 Year
UK Treasury Bills	UK Sovereign Rating	10,000	1 Year
UK Local & Police Authorities	N/A	Unlimited	1 Year
Debt Management Agency Deposit Facility	AAA	Unlimited	6 Months
Money Market Funds	AAA	10,000	Instant Access
Enhanced Money Market Funds	Dark Pink/Light Pink/AAA	10,000	Instant Access
Bonds issued by Multilateral Development Banks	AAA	3,000	6 Months

**Table 8b: Treasury Investment Counterparties and Limits (Non-Specified Investments)**

Non-Specified Investments: Counterparties and Limits			
Organisation Type	Minimum Credit Criteria	Investment Limit (£000s)	Maturity Limit (Days/Months/Years)
UK Local & Police Authorities	N/A	10,000	5 Years
Banks and Building Societies	Yellow/Purple	10,000	5 Years
UK Government Gilts	UK Sovereign Rating	10,000	5 Years
UK Government Treasury Bills	UK Sovereign Rating	10,000	5 Years
Property Funds	AAA	5,000	5 Years

**Notes**

- Non-UK country limit - £15.0 million
- All Building Societies limit - £10.0 million.



### Risk Assessment and Credit Ratings

Credit ratings are obtained and monitored by the Council's Treasury Management advisers, Link who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made.
- Any existing investments that can be recalled or sold at no cost, will be and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn [on the next working day] will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

### Other Information on the Security of Investments

Advice will be always taken from the Council's Treasury Management advisers, Link. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

### Liquidity Management

The Council uses cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's Medium-Term Financial Forecast and Cash Flow Forecast.

The Council will usually spread its liquid cash over at least two providers (e.g., Bank and Money Market Funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider (whilst maximising interest receivable).

## **Treasury Management Prudential Indicators**

The Council measures and manages its exposures to Treasury Management risks using the following indicators.

### **Security**

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

<b>Credit Risk Indicator</b>	<b>Target</b>
Portfolio average credit rating	A-

### **Liquidity**

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

<b>Liquidity Risk Indicator</b>	<b>Target</b>
Total cash available within 3 months	£20.0 million

### **Interest Rate Exposure**

This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

<b>Interest Rate Risk Indicator</b>	<b>Limit £'s</b>
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	8,500
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	(8,500)

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Based on anticipated *existing* net borrowing movements during 2024/25, the potential one-year revenue impact of a 1% change in interest rates would not exceed £8,500.

### **Maturity Structure of Borrowing**

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the Maturity Structure of Borrowing will be:

<b>Refinancing Rate Risk Indicator</b>	<b>Upper Limit</b>	<b>Lower Limit</b>
Under 12 months	30%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	30%	0%
10 years and within 15 years	30%	0%
15 years and within 20 years	30%	0%
20 years and within 25 years	30%	0%
25 years and above	30%	0%

It should be noted that the proposed limits presented above are deliberately wide in range. This is because the indicator is only designed to cover the risk of replacement loans being unavailable, rather than interest rate risk.

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

### **Long-Term Treasury Management Investments**

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on long-term treasury management investments will be:

<b>Price Risk Indicator</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Limit on principal invested beyond year end	£20.0 million	£20.0 million	£20.0 million

## **Related Matters**

### *Housing Revenue Account*

On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g., premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured, with interest transferred between the General Fund and HRA at the Council's average interest rate on investments, adjusted for credit risk.

### *Markets in Financial Instruments Directive (MIFID)*

The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers, and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's Treasury Management activities, the Section 151 Officer believes this to be the most appropriate status.

### *Financial Implications*

In 2024/25, overall investment income (General Fund and HRA) is budgeted at £1,350,000. The budgets for General Fund and HRA debt interest payable in 2024/25 are £1,149,300 and £8,333,100 respectively.

If investment levels and borrowing, or interest rates, differ from expectations, performance against budget will be correspondingly different.

### *Other Options Considered*

The CIPFA Code does not prescribe any specific Treasury Management Strategy for local authorities to adopt. The Section 151 Officer, having consulted the Portfolio Holder for Resources, believes that this Strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on Income and Expenditure	Impact on Risk Management
Invest in a narrower range of counterparties and/or for shorter times.	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater.
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller.
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain.
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain.
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain.

## Debt &amp; Investment Portfolio (@31/03/24)

	31/03/24 Actual Portfolio £m	31/03/24 Average Rate %
<b>External Borrowing</b>		
Public Works Loan Board	132.1	3.79%
Local authorities	9.0	6.43%
Other loans	10.5	4.15%
<b>Total External Borrowing</b>	<b>151.6</b>	
<b>Other Long-Term Liabilities:</b>		
Leases	-	-
<b>Total Other Long-Term Liabilities</b>	<b>-</b>	
<b>Total Gross External Debt</b>	<b>151.6</b>	
<b>Treasury Investments</b>		
Local authorities	(10.0)	5.53%
Banks (unsecured)	(1.5)	5.14%
Money Market Funds	(9.0)	5.25%
<b>Total Treasury Investments</b>	<b>(20.5)</b>	
<b>Net Debt</b>	<b>131.1</b>	



## Governance and Audit Committee

Item  
**10**

18 June 2024

Report of

The Corporate Governance Manager

Author

Hayley McGrath  
☎ 508902

Title

Head of Internal Audit Annual Report 2023/24

Wards  
affected

Not applicable

### 1.0 Executive Summary

1.1 The report set out in appendix 1 summarises the findings of the Internal Audit function for the financial year 2023/24.

1.2 The key messages from the report are:

- The Internal Audit contractor was able to ensure that an effective internal audit service was provided during the 2023/24 financial year.
- Twenty-six audits were completed during the year.
- Eleven audits (42%) achieved a substantial assurance rating, compared to twelve last year (33%).
- There were three limited assurance ratings (11%), compared to zero last year.
- Four urgent recommendations were made, compared to one last year.

### 2.0 Recommended Decision

2.1 To review and comment on:

- Internal audit activity for the period 1 April 2023 to 31 March 2024.

### 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 At the end of each financial year the audit provider produces a 'Head of Internal Audit Report'. This is the overall assurance rating for the Council and is the evidence that supports the assessment of the internal control in the Annual Governance Statement.

The report for 2023/24 states 'TIAA is satisfied that, for the areas reviewed during the year, Colchester City Council has reasonable and effective risk management, control and governance processes in place.'

- 5.2 Each audit is given one of four assurance ratings – substantial, reasonable, limited and no – that indicates how well the system controls are working. The assurance rating is determined primarily by the number and level of recommendations made, which are classed as urgent, important or routine. The table in appendix 2 explains the assurance and recommendation levels in more detail.

## **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.



## Key to Assurance Levels

### Assurance Gradings

Internal Audit classifies internal audit assurance over four categories, defined as follows:

<b>Assurance Level</b>	<b>Evaluation &amp; Testing Conclusion</b>
Substantial	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
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.
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.
No	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

### Recommendation Gradings

Internal Audit categorises recommendations according to their level of priority as follows:

<b>Priority level</b>	<b>Definition</b>
1. Urgent	Fundamental control issue on which action should be taken immediately.
2. Important	Control issue on which action should be taken at the earliest opportunity.
3. Routine	Control issue on which action should be taken.
OEM – Operational Effectiveness Matter	Items that would be best practise / improvements, but do not impact on the effectiveness of the controls.





Internal Audit

DRAFT

## Colchester City Council

Internal Audit Annual Report

2023/24

May 2024

# Internal Audit Annual Report

## Introduction

This is the 2023/24 Annual Report by TIAA on the internal control environment at Colchester City Council. The annual internal audit report summarises the outcomes of the reviews we have carried out on the organisation’s framework of governance, risk management and control. This report is designed to assist the Council in making its annual governance statement.

Our approach is based on the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and incorporate the Public Sector Internal Audit Standards (PSIAS). In 2022, TIAA commissioned an External Quality Assessment (EQA) of its internal audit service. The independent EQA assessor was able to conclude that TIAA ‘generally conforms to the requirements of the Public Sector Internal Audit Standards and the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF)’. ‘Generally conforms’ is the highest rating that can be achieved using the IIA’s EQA assessment model.

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001:2015 standards. Our work also complies with the IIA-UK Professional Standards.

### HEAD OF INTERNAL AUDIT’S ANNUAL OPINION

**TIAA is satisfied that, for the areas reviewed during the year, Colchester City Council has reasonable and effective risk management, control and governance processes in place.**

**This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the Colchester City Council from its various sources of assurance.**

## Internal Audit Planned Coverage and Output

The 2023/24 Annual Audit Plan approved by the Governance and Audit Committee was for 300 days of internal audit coverage in the year.

During the year there was one change to the Audit Plan and this change was approved by the Chief Executive.

The planned work that has been carried out against the plan and the status of work not completed is set out at Annex A.

## Assurance

TIAA carried out 26 reviews during the year. 20 audits are in the annual plan, however due to the carried forward days (40 days), and additional six audits were done to use the days. The reviews 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 the Council’s objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below.

Assurance Assessments	Number of Reviews	Previous Year
Substantial Assurance	11	6
Reasonable Assurance	12	12
Limited Assurance	3	0
No Assurance	0	0

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.

We made the following total number of recommendations on our audit work carried out in 2023/24. The numbers in brackets relate to 2022/23 recommendations.

Urgent	Important	Routine
4 (1)	32(30)	18(20)

### Audit Summary

**Control weaknesses:** There were one area reviewed by internal audit where it was assessed that the Council is yet to carry out a proper assessment of its fraud and corruption risks and have not carried out assessments against the Fighting Fraud Corruption Locally Strategy 2020 (FFCL 2020). Recommendations were made to further strengthen the control environment in these areas and the management responses indicated that the recommendations had been accepted.

**Recommendations Made:** We have analysed our findings/recommendations by risk area and these are summarised below.

Risk Area	Urgent	Important	Routine
<b>Directed</b>			
Governance Framework	0	5	5
Risk Mitigation	0	2	1
Compliance	2	21	9
<b>Delivery</b>			
Performance Monitoring	0	1	3
Sustainability	0	0	0
Resilience	2	3	0

**Operational Effectiveness Opportunities:** One of the roles of internal audit is to add value and during the financial year we provided advice on opportunities to enhance the operational effectiveness of the areas reviewed and the number of these opportunities is summarised below.

Operational
2(1)

### Independence and Objectivity of Internal Audit

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

### Performance and Quality Assurance

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

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%

### Release of Report

The table below sets out the history of this Annual Report.

<b>Date Report issued:</b>	May 2024
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## Annexes

Annex A

### Actual against planned Internal Audit Work 2023/24

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Procurement	Assurance	12	12	Limited	
Council Tax and NNDR	Assurance	12	12	Substantial	
Business Continuity	Assurance	12	12	Reasonable	
Complaints Management (Waste Mgt)	Assurance	10	10	Substantial	
CCHL Colchester Fibre	Assurance	0	12	Substantial	Additional audit
Fleet Management and Fuel Usage	Assurance	12	12	Reasonable	
Cyber Security	ICT	10	10	To be finalised	
Contract Management	Assurance	12	12	Reasonable	
Council Governance of Subsidiary companies	Assurance	12	12	Substantial	
Leisure World	Assurance	12	12	Reasonable	
Working with Volunteers and Police	Assurance	12	12	Substantial	
Housing benefits	Assurance	13	13	Substantial	
S106 Development contribution	Assurance	0	12	Substantial	Additional review
Museums – Merged services	Assurance	12	12	Reasonable	
Key Financial Controls	Assurance	20	20	Reasonable	
CCHL Amphora and CCC Financial SLA Audit	Assurance	0	10	Reasonable	Additional review
Budgetary Control	Assurance	10	10	Reasonable	
Human Resources and Payroll	Assurance	12	12	Substantial	
Health Alliance Arrangements and Benefits to residents	Assurance	12	12	Reasonable	
CCHL Procurement	Assurance	0	12	Limited	Additional review
Safeguarding	Assurance	12	12	Reasonable	

LAD Grant Review	Assurance	0	5	Substantial	Additional review
Delivery of Housing Strategy and Outcomes	Assurance	12	12	Substantial	
Staff wellbeing and Sickness absence	Assurance	12	12	Reasonable	
Data protection (Supplier GDPR Compliance)	Assurance	0	12	Reasonable	Additional review
Housing Rent (Joint with CBH)	Assurance	12	12	Substantial	
Allocation for CCHL	Assurance	18	5		
Contingency	Assurance	10	0		
Follow-up	N/A	10	10		
Annual Planning	N/A	4	4		
Annual Report	N/A	3	3		
Audit Management	N/A	12	12		
	<b>Total Days</b>	<b>300</b>	<b>340</b>		





18 June 2024

<b>Report of</b>	<b>Corporate Governance Manager</b>	<b>Author</b>	<b>Hayley McGrath 508902</b>
<b>Title</b>	<b>Review of the Governance Framework and Draft Annual Governance Statement 23/24</b>		
<b>Wards affected</b>	Not applicable		

## 1.0 Executive Summary

This report relates to the Council's duty to produce an Annual Governance Statement, that reviews the effectiveness of the Council's internal control systems for the 2023/2024 financial year, which is required for the 2023/2024 Statement of Accounts.

## 2.0 Recommended Decisions

- 2.1 To consider and note the review of the Council's compliance with the seven principles of good governance (CIPFA International Framework: Good Governance in the Public Sector 2016) including the review of effectiveness of the internal control arrangements.
- 2.2 To approve the Annual Governance Statement for 2023/24.

## 3.0 Reasons for Recommended Decisions

- 3.1 Regulation 3 of the Accounts and Audit Regulations 2015 states that:  
*'A relevant authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.'*
- 3.2 Regulations 6(1) and (2) go on to place a requirement on the Council to conduct a review of the effectiveness of its system of internal control at least once a year, and to report the findings to this committee. Following the review, the committee must approve an Annual Governance Statement (AGS), prepared in accordance with proper practices in relation to internal control.
- 3.3 The review of the system of internal control assesses the Council's compliance with the seven principals of good corporate governance, set out in the 2016 CIPFA / SOLACE guidance – Delivering Good Governance in Local Government, and the effectiveness of the policies and procedures that make up the Council's governance framework. The process also produces a management action plan to address any identified weaknesses.
- 3.4 CIPFA's proper practice requires the Chief Executive and the Leader of the Council to sign the AGS. They must be satisfied that the document is supported by reliable evidence and accurately reflects the authority's governance and control arrangements.

## 4.0 Alternative Options

- 4.1 None.

## 5.0 Background Information

5.1 Colchester Borough Council has adopted a Local Code of Corporate Governance based on the 'Delivering Good Governance in Local Government' guidance. The purpose of the AGS is to review compliance with the seven principles of good governance outlined in the guidance and the Council's Local Code of Corporate Governance.

5.2 The seven principles of Corporate Governance are:

- Principle 1: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Principle 2: Ensuring openness and comprehensive stakeholder engagement.
- Principle 3: Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Principle 4: Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Principle 5: Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Principle 6: Managing risks and performance through robust internal control and strong public financial management.
- Principle 7: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

5.3 As part of the governance review the Council has to demonstrate the effectiveness of its internal control arrangements, and this is primarily evidenced by the Head of Internal Audit Report, produced by the Council's Internal Audit provider, TIAA. A copy of the report is available as a background paper. The key statement from this report is detailed below: -

From the Internal Audit work undertaken in compliance with the PSIAS (Public Sector Internal Audit Standards) in 2023/24, **TIAA is satisfied that, for the areas reviewed during the year, Colchester Borough Council has reasonable and effective risk management, control and governance processes in place for the year ended 31 March 2024.**

5.5 In addition, the further steps taken in producing the AGS have been as follows: -

- A full review of the Council's code of corporate governance including detailed assessment of evidence supporting each principle.
- Consideration of risk management issues.
- Detailed follow up of issues with relevant managers to provide evidence of controls in place.
- Review of the action plan from the Annual Governance Statement for 2022/23.
- Review of the implementation of recommendations made by Internal Audit.
- Consideration of issues that have been raised by External Audit, including the Annual Audit Letter. However, for 23/24 due to the External Audit delivery issues, no matters were raised.
- Assessment that the financial arrangements comply with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016).

5.6 The AGS for 2023/24 is attached at appendix 1. The format of the statement takes into account both the mandatory pro-forma contained within CIPFA's proper practice guidance, together with subsequent examples of best practice.

5.7 The AGS includes a table showing significant internal control issues and planned actions to address these. A more detailed action plan is set out within this report at Appendix 2.

The AGS should be an ongoing assessment and therefore a review of the progress against the recommendations will be reported to the Committee later in the financial year.

## **6.0 Strategic Plan Implications**

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.

## **7.0 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. Therefore, the actions 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.

## **Appendices**

Appendix 1 – The Annual Governance Statement for 2023/24

Appendix 2 – The Annual Governance Statement Action Plan for 2024/25

## **Background Papers**

Head of Internal Audit report for the year ended 31 March 2024.



# COLCHESTER CITY COUNCIL DRAFT ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2024

## Scope of responsibility

Colchester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The Council is also responsible for ensuring that any companies owned by the Council, and any jointly operated services, also have proper arrangements in place for the governance of their affairs.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the current [CCC Local Code of Corporate Governance](#) is available on the council's website.

This statement explains how the Council has complied with the code and meets the requirements of PART 2 regulation 6(1)(a) and (b) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

## DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

### The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled. Which in turn directs the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Council's governance framework has been in place during the year ended 31 March 2024 and up to the date of the approval of the annual accounts.

## Elements of the Framework

The framework consists of comprehensive processes that each ensure that the Council complies with the principals of good governance. These include:

- **The Strategic Plan** – The Strategic Plan for 2023-26 – A City Fit for the Future – was issued in January 2023. This identifies and communicates the Council’s vision of its purpose and intended outcomes for citizens and service users. This is supported by an action plan that is updated annually.
- **The Strategic Risk Register** – which reflects the objectives of the Strategic Plan and identifies the implications for the Council’s governance arrangements.
- **The Constitution** - This is the fundamental basis of the Council’s governance arrangements and includes:
  - Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
  - Reviewing and updating procedure rules, financial procedure rules, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken.
  - The Policy Framework, which includes the documents relating to Corporate Governance, including:
    - The Local Code of Corporate Governance.
    - A risk management strategy detailing processes and controls required to manage risks.
    - The Anti-Fraud and Corruption Policy
  - The Ethical Framework which includes documents relating to standards of conduct and good practice which include:
    - A code of conduct which defines the standards of behaviour for all Members.
    - Planning procedures Code of Practice
    - Protocol on Member/Officer Relations
    - Media Protocol
    - Monitoring Officer Protocol
    - Chief Finance Officer Protocol
    - Resources Protocol
    - A whistle blowing policy for receiving and investigating complaints from the public and staff.
    - Gifts and Hospitality Guidance
- **The Chief Finance Officer Protocol** sets out the responsibilities to conform with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016).
- **The operation of a Governance and Audit Committee** which undertakes the core functions of an audit committee, as identified in CIPFA’s document ‘Audit Committees – Practical Guidance for Local Authorities and Police’. It also acts as the ‘client’ committee scrutinising the performance of Colchester Commercial (Holdings) Limited and its subsidiary companies.
- **The operation of a Scrutiny Panel** to ensure that the actions of the Cabinet accord with the policies and budget of the Council, monitor the financial performance of the Council, link spending proposals to the Council’s policy priorities and review progress and to review decisions of the Cabinet via the call-in procedure.
- **A performance management system** for all officers that identifies key objectives and development needs.

- **A member training and development programme.**
- **A communications strategy** which establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- **Treasury management practices and policies**

The post of the Section 151 Officer for Colchester City Council is held by the Director (shared) – Finance, who is a shared officer with Epping Forest District Council, where they also hold the Section 151 Officer role. The arrangement was in place for the financial year 2023/24 and ensured that the Council’s financial management arrangements conformed with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016).

The CIPFA Financial Management Code was published in May 2020, a full self - assessment against the code was due to be carried out in 2023/24. With the implementation of a new management structure in the finance team at the start of the 23/24 year it was recognised that there were some key issues that required prioritisation over the assessment, and it has now been pushed back to the 24/25 year. However the team continue to introduce best practice measures identified in the code and the internal audit review of the key financial controls has not raised any significant concerns.

## **DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:**

### **Review of effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates including the Local Government and Social Care Ombudsman, the Information Commissioner’s Office, Equal Opportunities Commission, Lexcel, Investors In People, the Vehicle Inspectorate, DEFRA, East England Tourist Board and the Office of Surveillance Commissioners.

As well as the annual review, the governance and control frameworks are maintained and reviewed by a series of comprehensive processes throughout the year. These include:

- **A robust Internal Audit function** where the planned work is based on identified key systems and risk areas. The Council’s Internal Audit Service arrangements conform to the governance requirements and core responsibilities of the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019)*. The services’ compliance with the Public Sector Internal Audit Standards was independently assessed and verified in 2022.
- **An embedded reporting system** for both internal and external audit issues that ensures that senior managers and members are fully briefed on key issues, which includes regular reporting to the Governance and Audit Committee.
- **A comprehensive risk management process** that ensures the key risks across the Council, both operational and strategic, are captured and reported to senior officers and Members.
- **The reports of the Chief Financial Officer** to Members and the senior management team including financial assessments of key projects and decisions.
- **Reporting of key performance issues** to the Scrutiny Panel.

- **A comprehensive budget monitoring process** that is reported monthly to senior managers.
- **A defined Monitoring Officer role** which sets out responsibility for ensuring all decisions comply with statutory requirements and are lawful.

The significant control issues found during the review are highlighted in the table at the end of the statement.

## **Organisational Structure**

The move from a traditional service area structure to an Organisational Cluster structure was started in 2022/23 with the introduction of the Senior Leadership Board (SLB). Further changes were implemented in 2023/24 with the creation of the Senior Leadership Team (All of the SLB plus Heads of Service), which set out the new Head of Service roles. The Senior Leadership Team continues to include the Managing Director of Colchester Commercial (Holdings) Limited, the Chief Executive of Colchester Borough Homes Limited and the North East Essex Alliance Director, providing a more cohesive approach to decision making, to ensure that the outcomes are the most appropriate for the city as a whole.

The new structure has provided Heads of Service with more autonomy over their service areas, and the services are clustered into related functions. Whilst SLB have an overview of all services there is no direct line reporting from the Heads of Service to a specific SLB member. This has enabled SLB to operate at a more strategic level across the whole organisation, rather than concentrating on specific services. However, when required, members of SLB are taking the lead on specific work streams. The structure is still bedding in but the review has not identified any specific areas of concern that need to be highlighted in this governance statement. This will be reviewed again in 2024/25.

## **Effectiveness of Other Organisations**

The Council owns five companies:

- Colchester Borough Homes Limited (CBH) which was created in 2003,
- Colchester Commercial (Holdings) Limited (CCHL), and its three subsidiary companies –
  - Colchester Amphora Trading Limited,
  - Colchester Amphora Energy Limited and
  - Colchester Amphora Housing Limited.

As these are limited companies there is no requirement for them to produce Governance Statements in this format. However, it is recognised by the Council, that it is essential for these companies to operate effective governance procedures to ensure appropriate and cost-effective service provision and protection of Council assets.

Whilst CBH is an ‘arms-length’ company it is still necessary for the Council to ensure that it operates effectively to ensure that it provides an effective and economical service to housing tenants and that the Council’s asset, the housing stock, is adequately protected. The peer review in 2022 recommended an independent review of the company and this was carried out in January 2023. The results of this review were reported in last year’s AGS and the recommendations were included in the 2022/23 AGS Action Plan. A detailed update on this action is set out later in this statement, however it is confirmed that actions have been completed, resulting in a more collaborative working relationship between CBH and CCC.



CBH have produced their own annual governance review that has been shared with the Council. There were no significant control weaknesses, identified by Colchester Borough Homes, during the year that are required to be included in this statement. However, during 2023/24 there has been a significant increase in the number of complaints where the Housing Ombudsman has found a fault with CBH. The Monitoring Officer (MO) of CCC issued a formal MO letter to CBH relating to this increase and CBH have responded to this letter with an action plan, which is being monitored via the Council's Shareholder group.

The CCHL group was created to enable a more commercial approach to be taken to delivering revenue generating Council services and to develop innovative options for new services in the future. Whilst the CCHL group are operating in a commercial environment, and therefore can take a different approach to service delivery, they are still delivering services on the Council's behalf. Therefore, it is necessary to ensure that it operates effectively to deliver the best possible outcomes for the Council.

The activities of CCHL are monitored through the Council's Internal Audit programme and reported to the Council's Governance and Audit Committee. The AGS in 2021/22 identified the need to review the company effectiveness, and this was echoed in the peer review in 2022. This resulted in two independent reviews of the companies during the 2022/23 year, which were reported to the Council's Governance and Audit Committee. The reviews were reported in last year's AGS and the recommendations were included in the 2022/23 AGS Action Plan. A detailed update on this action is set out later in this statement, however it is confirmed that recommendations have been completed, and two companies - Colchester Amphora Energy Limited and Colchester Amphora Housing Limited, are in the process of being hibernated.

Colchester City Council also leads two joint (with other local authorities) services:

- Colchester & Ipswich Museums Service (CIMS)
- North Essex Parking Partnership (NEPP)

The Council is the lead partner in the Colchester & Ipswich Museum Service. Due to the nature of the arrangement, the joint museum service conducts its own annual governance review which includes an assessment of internal control. No issues relating to the partnership were highlighted during the Therefore, it is not intended to include any details relating to this service within this statement.

The North Essex Parking Partnership was originally created on 1 April 2011, and the agreement was renewed on 01 April 2022, with the Council as the lead partner. The partnership conducts its own annual governance review which includes an assessment of internal control. Therefore, it is not intended to include any details relating to the service within this statement.

## **Internal Audit Opinion**

From the work undertaken in 2023/24, Internal Audit has provided assurance that Colchester City Council has reasonable and effective risk management, control and governance processes in place for the year ended 31 March 2024. This is excepting any details of significant internal control issues as documented hereafter.

It is also the opinion of Internal Audit that the Council's corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

## Review of Actions from 2022/23 Statement

There were five issues included in the Annual Governance Statement for 2022/23:

- Implementation of the Colchester Borough Homes Independent Review Recommendations
- The CIPFA Financial Management Code
- Review of the Capital Programme
- External Audit Implications
- Company Governance

**Implementation of Colchester Borough Homes recommendations** The Oversight Group agreed at their meeting on 31 August 2023 that all actions in the CBH Independent Review have been completed. This has been reported to the Governance and Audit Committee.

**CIPFA Financial Management Code** The Finance team has continued to introduce good practice measures during the year to ensure that the Council is fully compliant with the code. However, due to pressures within the team the self-assessment has not yet been completed and will be reviewed as soon as possible in 2024/25.

**Review of the Capital Programme** A thorough review of the Council's Capital Programme took place during 2023/24 with the review finalising in February 2024 with the setting of a new budget. This has resulted in reduced borrowing requirements in year which has supported the budget challenges. A new Programme Management Office was created and the asset review has resulted in a change to a Corporate Landlord model of delivery.

**External Audit Implications** The external audits of the Council's accounts since 2021 have still not been completed. Pressure is still being applied on the auditors to deliver the accounts, but no firm timescale has been received from them. This is not an issue specific to Colchester City Council, and it is liaising with other authorities who are experiencing the same issues.

**Company Governance** Following the Peer Review, two specific external reviews of CCHL were undertaken. The reviews resulted in the creation of an action plan, overseen by senior Colchester City Council officers, which was completed in 2023/24. This has led to the establishment of the Shareholder group, which consists of senior CCC officers, the Managing Director of CCHL and the Chief Executive of CBH. The Shareholder group meets on a regular basis to act as the co-ordination between the Council and the companies, review any concerns and set governance requirements, including reviewing reporting to the Governance and Audit Committee.

It is considered that the actions undertaken in respect of the Colchester Borough Homes independent review, the review of the capital programme and company governance are sufficient to provide assurance that these areas do not need to be included in the action plan for 2023/24. However, due to the potential impacts relating to the external audit of the accounts and the CIPFA Financial Management Code review, these items should remain on the action plan for 2023/24.

## Conclusion & Significant Governance Issues

Overall, the control arrangements in place during the 2023/24 financial year have been effective and were appropriate. However, the review has identified some areas where actions are required to ensure that the Council continues to provide appropriate and cost-effective services. The issues and action plans are shown in the table below. These will be monitored and reviewed via the Internal Audit review process during 2024/25.

No.	Issue	Action
1.	<p><b>External Audit Implications – Carried forward from 2022/23</b> Whilst the Council cannot control the delivery of the external audit of the accounts, The Use of Resources assessments (that provide detail on areas of suggested improvement) since 2021 have still not been received. The failure of the External Audit contractor to deliver a timely service in assessing the Council’s accounts could potentially mean that a financial governance issue is not resolved, and ultimately may impact on external assessment and partner challenge.</p>	<p>Pressure will continue to be applied on the External Auditors to deliver the reports. This is an issue that is affecting many authorities currently, and the Council will continue to monitor national actions relating to external audit delivery.</p>
2.	<p><b>The CIPFA Financial Management Code – Carried forward from 2022/23</b> Colchester City Council is facing extreme pressures from the impacts of the external financial climate. A delay in completing the assessment could mean that opportunities to strengthen financial arrangements are missed.</p>	<p>Completion of the self-assessment against the code.</p>
3.	<p><b>Monitoring Officer Governance letter to Colchester Borough Homes</b> In 21/22 the Housing Ombudsman (HO) found 2 service failings against CBH, in 22/23 there was 1 finding of maladministration, in 23/24 the HO made 3 service failure, 5 maladministration and 2 severe maladministration findings against CBH. The Monitoring Officer of CCC formally wrote to CBH to request details of their plans to resolve these issues.</p>	<p>The shareholder group has confirmed that CBH have provided assurance that changes have been implemented as a result of these findings. However, it is recommended that performance is monitored during 24/25.</p>
4.	<p><b>Procurement</b> During 23/24 there were two internal audit reviews of procurement processes. These both resulted in a limited assurance rating. One audit was related to CCHL transactions and highlighted issues relating to compliance with contract procedure rules, training and a contract register. The second review highlighted issues with contracts not being in place with some of the suppliers with spends over £50k. This had been raised in the 21/22 audit previously.</p>	<p>Implementation of the recommendations contained in the Internal Audit reviews.</p>

We have been advised on the implications of the result of the review of the effectiveness of the governance framework, by the Governance and Audit Committee, and we propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**

.....  
Leader of the Council

.....  
Chief Executive

on behalf of Colchester City Council



**DRAFT**  
**Colchester City Council**  
**Annual Governance Statement – Action Plan for 2024/25**

**Significant Internal Control Issues – Relating to 2023/24 Financial Year**

No.	Issue	Action	Due Date	Responsible Officer	How this Issue was Identified
1.	<p><b>The CIPFA Financial Management Code – Carried forward from 2022/23</b>                      CCC is facing extreme pressures from the impacts of the external financial climate. A delay in completing the self assessment could mean that opportunities to strengthen financial arrangements are missed.</p>	<p>Completion of the self-assessment against the code.</p>	<p>31/12/24</p>	<p>Director of Finance</p>	<p>Governance Review</p>
2.	<p><b>External Audit Implications – Carried forward from 2022/23</b>                      Whilst the Council cannot control the delivery of the external audit of the accounts, The Use of Resources assessment (that provides detail on areas of suggested improvement) for 20/21 has still not been received. The failure of the External Audit contractor to deliver a timely service in assessing the Council's accounts could potentially mean that a financial governance issue is not resolved, and ultimately may impact on external assessment and partner challenge.</p>	<p>Pressure will continue to be applied on the External Auditors to deliver the reports. This is an issue that is affecting many authorities currently, and the Council will continue to monitor national actions relating to external audit delivery.</p>	<p>On-going</p>	<p>Director of Finance</p>	<p>Governance Review</p>


No.	Issue	Action	Due Date	Responsible Officer	How this Issue was Identified
3.	<p><b>Monitoring Officer Governance letter to Colchester Borough Homes</b>            In 21/22 the Housing Ombudsman (HO) found 2 service failings against CBH, in 22/23 there was 1 finding of maladministration, in 23/24 the HO made 3 service failure, 5 maladministration and 2 severe maladministration findings against CBH. The Monitoring Officer of CCC formally wrote to CBH to request details of their plans to resolve these issues.</p>	<p>The shareholder group has confirmed that CBH have provided assurance that changes have been implemented as a result of these findings. However, it is recommended that performance is monitored during 24/25.</p>	31/12/24	Monitoring Officer	Governance Review
4.	<p><b>Procurement</b>            During 23/24 there were two internal audit reviews of procurement processes. These both resulted in a limited assurance rating. One audit was related to CCHL transactions and highlighted issues relating to compliance with contract procedure rules, training and a contract register. The second review highlighted issues with contracts not being in place with some of the suppliers with spends over £50k. This had been raised in the 21/22 audit previously.</p>	<p>Implementation of the recommendations contained in the Internal Audit reviews.</p>	31/03/25	Head of Operational Finance	Internal Audit Process



## Governance and Audit Committee

Item  
**12**

18 June 2024

<b>Report of</b>	<b>Chief Operating Officer</b>	<b>Author</b>	<b>Matthew Evans</b>
<b>Title</b>	<b>Work Programme 2024-2025</b>		 <b>ext. 8006</b>
<b>Wards affected</b>	Not applicable		

### 1. Executive Summary

- 1.1 This report sets out the current Work Programme 2024-2025 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 content of the Work Programme for 2024-2025.

### 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 2024-25

<b>Governance and Audit Committee</b>
<b>Meeting date / Agenda items -</b>
<b>Governance and Audit Committee – 18 June 2024</b>
<ol style="list-style-type: none"><li>1. Colchester Borough Homes 2023/24 Performance and Assurance Report</li><li>2. External Audit progress update</li><li>3. Treasury Management Strategy (inc. Investment Strategy) 2024/25</li><li>4. Year End Internal Audit Assurance Report 2023/24</li><li>5. Review of the Governance Framework and Draft Annual Governance Statement</li></ol>
<b>Governance and Audit Committee – 30 July 2024</b>
<ol style="list-style-type: none"><li>1. Colchester Fibre Update</li><li>2. Year End Review of Risk Management</li><li>3. Update on the Council's Procurement Policy</li><li>4. CIPFA Audit Committee review</li><li>5. Quarter 4 Budget Monitoring Report 2023/24 (Provisional Outturn)</li></ol>



**Governance and Audit Committee - 10 September 2024**

1. Colchester Borough Homes Quarter 1 Performance and Assurance Report
2. Draft Statement of Accounts 2023/24
3. Quarter 1 Budget Monitoring Report 2024/25
4. Quarter 1 Treasury Management Update 2024/25
5. Local Government and Social Care Ombudsman Annual Review 2023/2024
6. Health and Safety Policy and Annual Report
7. Capital Strategy 2024/25 to 2026/27

**Governance and Audit Committee – 29 October 2024**

**Shareholder Committee meeting**

1. Colchester Commercial (Holdings) Limited Annual Report
2. Colchester Borough Homes Annual Governance Statement

**Governance and Audit Committee – 26 November 2024**

1. Colchester Borough Homes Quarter 2 Performance and Assurance Report
2. Quarter 2 Budget Monitoring Report 2024/2025
3. Quarter 2 Treasury Management Update 2024/2025
4. Review of the Council's Ethical Governance Policies
5. Annual Review of the Members' Code of Conduct and the Council's Localism Act "Arrangements"
6. Review of Local Code of Corporate Governance
7. Review of Member/Officer Protocol
8. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Employees

Governance and Audit Committee – **17 December 2024**

1. Interim Review of the Annual Governance Statement Action Plan
2. Mid-Year Internal Audit Assurance Report 2024/2025
3. Annual Audit Letter 2023/2024
4. Equality and Safeguarding Annual Update

Governance and Audit Committee – **21 January 2025**

1. Risk Management Progress Report
2. Internal Audit Plan 2025/26
3. Annual Review of Business Continuity
4. Health and Safety Policy and Annual Report

Governance and Audit Committee – **25 February 2025**

1. Colchester Borough Homes Quarter 3 Performance and Assurance Report
2. Quarter 3 Budget Monitoring Report 2024/25
3. Quarter 3 Treasury Management Update 2024/25
4. Treasury Management Strategy (inc. Investment Strategy) 2025/26
5. Capital Strategy 2025/26 to 2027/28

**ADDITIONAL MEETING – date TBC: Shareholder Committee Meeting**

1. Half-year review of Colchester Commercial (Holdings) Limited
2. CCHL Business Plans
3. CBH Business Plans
4. Report from CCC Shareholder



