

# Governance and Audit Committee Meeting

**Online Meeting, Virtual Meeting Platform  
Tuesday, 08 September 2020 at 18:00**

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

## Information for Members of the Public

### Access to information and meetings

You have the right of access to all meetings of the Council, its Committees and Cabinet which may be conducted remotely such as by live audio or video broadcast / webcast. You also have the right to see the agenda (the list of items to be discussed at a meeting), which is published on the Council's website at least five working days before the meeting, and minutes once they are published. Dates of the meetings are available here:

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

Occasionally certain issues, for instance, commercially sensitive information or details concerning an individual have to be considered in private. When this is the case an announcement will be made, the live broadcast will end and the meeting will be moved to consider in private.

### Have Your Say!

The Council welcomes contributions in the form of written representations from members of the public at most public meetings. One single contribution to each meeting of no longer than 500 words may be made by each person which must be submitted via the form accessed by this link, before noon on the working day before the meeting date: [Governance and Audit Have Your Say!](#)

If you would like to submit representations to a meeting and need to find out more, please refer to the Have Your Say! arrangements here:

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

E-mail: [democratic.services@colchester.gov.uk](mailto:democratic.services@colchester.gov.uk)  
[www.colchester.gov.uk](http://www.colchester.gov.uk)

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

## **Accounts and Audit**

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

## **Governance**

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

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

## **Other regulatory matters**

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

To determine and approve Community Governance Reviews.

## **Standards in relation to Member Conduct**

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

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

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

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

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

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

## **General**

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

**COLCHESTER BOROUGH COUNCIL**  
**Governance and Audit Committee**  
**Tuesday, 08 September 2020 at 18:00**

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

Councillor Chris Pearson  
Councillor Sam McCarthy  
Councillor Nick Barlow  
Councillor Paul Dundas  
Councillor Mark Goacher  
Councillor Dennis Willetts  
Councillor Barbara Wood

Chairman  
Deputy Chairman

**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 (Virtual Meetings)**

The Chairman will welcome members of the public and Councillors to the meeting and remind those participating to mute their microphones when not talking. The Chairman will invite all Councillors and Officers participating in the meeting to introduce themselves. The Chairman will, at regular intervals, ask Councillors to indicate if they wish to speak or ask a question and Councillors will be invited to speak in turn by the Chairman. A vote on each item of business will be taken by roll call of each Councillor and the outcome of each vote will be confirmed by the Democratic Services Officer.

**2 Substitutions**

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

**3 Urgent Items**

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

**4 Declarations of Interest**

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

**5 Have Your Say! (Virtual Meetings)**

Members of the public may make representations to the meeting. Each representation may be no longer than three minutes (500 words). Members of the public may register their wish to address the meeting by registering online by 12.00 noon on the working day before the meeting date. In addition a written copy of the representation will need to be supplied for use in the event of unforeseen technical difficulties preventing participation at the meeting itself.

**6 Minutes of Previous Meeting**

The Councillors will be invited to confirm that the minutes of the meeting held on 23 June 2020 are a correct record.

**Governance and Audit Minutes 23.06.2020**

7 - 16

**7 Colchester Borough Homes Annual Report and Governance Statement**

17 - 28

The Committee will consider a report inviting it to consider and comment on the Governance Assurance Statement of Colchester Borough Homes.

**8 Financial Monitoring Report – April to June 2020**

29 - 46

The Committee will hear a report reviewing the Council's overall financial position based on profiled income and expenditure for the three months to 30 June 2020, and will have the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets.

**9 Capital Expenditure Monitor 2020/2021**

47 - 56

The Committee is invited to review progress on the Capital Programme. The report addresses the budgetary position of schemes included in the Capital Programme for the first quarter of the financial year, together with budget forecasts for 2020/21 and future years.

**10 2019/2020 Year End Review of Risk Management**

57 - 78

This report provides members with an overview of the Council's risk management activity undertaken during the financial year from 01 April 2019 to 31 March 2020.

11 **Work Programme 2020-2021**

79 - 82

This report sets out the current Work Programme 2020-2021 for the Governance and Audit Committee. This provides details of the reports that are scheduled for each meeting during the municipal year.

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

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

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

## **GOVERNANCE AND AUDIT COMMITTEE**

### **23 June 2020**

*Present:-* Councillor Paul Dundas, Councillor Mark Goacher, Councillor Sam McCarthy, Councillor Chris Pearson (Chairman), Councillor Dennis Willetts, Councillor Barbara Wood

*Substitutions:-* Councillor Mike Hogg for Councillor Nick Barlow

*Also Present: -* Councillor Lewis Barber, Councillor Nick Barlow

#### **208. Appointment of Chairman**

*RESOLVED* (UNANIMOUSLY) that Councillor Pearson be elected Chairman for the forthcoming Municipal Year.

#### **209. Appointment of Deputy Chairman**

*RESOLVED* (UNANIMOUSLY) that Councillor McCarthy be elected Deputy Chairman for the forthcoming Municipal Year.

#### **210. Have Your Say!**

Councillor Barber attended the meeting to raise with the Committee the North Essex Garden Communities (NEGC) Shareholder Agreement, and other ancillary documentation that governs the relationship of the four Authorities that are shareholders of the organisation. Councillor Barber particularly wished to raise the point that he felt that very few Councillors across the Chamber had had the opportunity to become familiar with these documents, and as a consequence when NEGC issues were being debated, may not have a full grasp of some of the more technical elements of the documents. Councillor Barber explained his belief that prior to any discussion on NEGC or related matters, all Councillors should have the opportunity to see all relevant paperwork and requested that the Committee supported this view. Councillor Pearson explained that the Governance and Audit Committee had never directly dealt with NEGC matters as it is an organisation that operates across several Authorities. Although the Governance and Audit Committee had no power to suggest to full Council that it had access to full documentation, Councillor Pearson suggested that that best approach for Councillor Barber would be to approach the Leader of the Council and Cabinet directly with his suggestions.

## **211. Minutes of Previous Meetings**

*RESOLVED* that the minutes of the meeting held on 10 March be approved as a correct record.

## **212. Draft Annual Statement of Accounts 2019/2020**

Paul Cook, Head of Finance and Section 151 Officer, attended to assist the Committee and presented the report. Paul explained that in response to the Covid-19 crisis, one of the first things that the Ministry of Housing, Communities and Local Government (MHCLG) had done was introduce more flexibility to Local Authorities on when to present their accounts. Normally the accounts would have to be presented by 31 July, but did not now have to be presented until 30 November this year. However, following discussion with the Council's external auditors (BDO), the intention was to stick to the original timetables. A draft statement of accounts has been published on the website, and once this Committee had approved the proposed draft Annual Governance Statement, this could also be published and the period of public inspection started. Paul expressed his thanks to Councillor Wood for her scrutiny of the draft accounts, and for the rounding errors that she had picked up, which would be rectified before the final document was prepared.

Councillor Willetts raised a point about the narrative of the accounts, which appeared to have been written before the advent of the Covid-19 crisis, and he pointed out that the two principal risks and uncertainties that had been identified were Brexit and the decisions on NEGC. Although mention has been made of the risks and uncertainties related to Covid, Councillor Willetts felt that these appeared as an afterthought and commented that he would like all identified risks and uncertainties to be gathered together and addressed under one heading.

Councillor Willetts further pointed out that there was an absence in the narrative to the draft accounts covering the last month of the financial year when the Council had unilaterally, and in his view illegally, suspended scrutiny of major financial decisions contrary to the Local Government Act 2000. Councillor Willetts made the point that there is no indication of this practice in the accounts, nor any indication that the external auditors were satisfied with the governance arrangements as well as the financial arrangements, and the way that decisions were being taken. Councillor Willetts stated that he felt that the two issues he had raised were of significant importance, and further stated that he would not support the publication of the draft accounts until they had been addressed to his satisfaction.

With regard to the second point made by Councillor Willetts, Dan Gascoyne, Chief Operating Officer responded that in the last two weeks of the preceding financial year, a number of decisions had had to be taken by the Council under the urgency provisions of the Council's Constitution as it was entitled to do where there was any financial or legal imperative for doing so and that normal scrutiny arrangements did not apply at that time. He explained that the March Meeting of the Scrutiny Panel had been cancelled which had been the last scheduled meeting of that financial year. The next scheduled meeting of Council in May had also been cancelled and the priority had then become responding to the Covid-19 crisis.

Paul Cook responded to Councillor Willetts, and agreed that the narrative for the draft accounts could be made into a more harmonious document, and confirmed that he was happy to revisit the document and present a revised narrative when the accounts were



presented for final approval.

Councillor Dundas supported the comments made by Councillor Willetts, and the suggestion that the narrative be re-written to take more account of the current and unfolding position. He also commented on the errors in the figures that had been pointed out by Councilor Wood, and stated his opinion that any such errors, no matter how that had been caused or how small they were needed to be corrected and the draft document republished.

Paul Cook confirmed that the material published on the website would be tidied up straight away.

*RESOLVED* that the draft 2019/20 statement of accounts be noted.

### **213. Year End Internal Audit Assurance Report 2019-2020**

Hayley McGrath, Head of Finance and Section 151 Officer, attended to assist the Committee and presented the report. It was explained that this report covered the second six months of the year and the Committee were invited to note and comment on the performance of the internal audit service over this period. The attention of the Committee was drawn to the audits that had been undertaken as listed in the report, and the fact that several of the audits undertaken had resulted in a full assurance rating, and improvements had been achieved in other areas. It was highlighted that the audits carried out had generated three 'priority one' recommendations (the highest level recommendation), thirteen 'priority two' recommendations, and three 'priority three' recommendations. One audit had generated a limited assurance rating in relation to payment control, and details had been highlighted in Appendix 2 of the report.

It was explained that following completion of the contract of the current internal auditors, a new company had been engaged to carry out this work and the upcoming programme of internal audit work was currently being reviewed to agree an internal audit plan for 2021. This programme is being re-profiled in the light of Covid-19 to ensure that all relevant issues are addressed, and one of the first audits planned was to examine how Colchester Borough Council had responded to the crisis as an organisation.

Councillor Pearson commented that it was disappointing to receive priority one recommendations, but was pleased to note the swift work that had been undertaken to address these.

Councillor Willetts commented that he agreed with the allocation of audit hours, and the general contents of the report, but did have some concerns about the payment controls audit and the issues that this had raised. Councilor Willetts queried when payment controls had last been audited as he was concerned that some of the priority one issues that had been raised in the most recent audit had been looked at in the past.

Hayley McGrath explained that with regard to the payments audit, this was the first time that the audit had been undertaken in that manner, and although payments were looked at on an ongoing basis, this was the first time that the interaction between the two payments systems had been examined. Hayley drew the attention of the Committee to the remedial work which had already been undertaken to address the concerns that had been raised.

*RESOLVED* that the contents of the Year End Internal Audit Assurance Report be noted.

#### **214. Review of the Governance Framework and Draft Annual Governance Statement**

Hayley McGrath, Head of Finance and Section 151 Officer, attended to assist the Committee and presented the report. The Committee were invited to consider and approve the Draft Annual Governance Statement which had been produced in accordance with the set format required by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Committee heard that the statement had been prepared to cover control and governance arrangements across the services provided by Colchester Borough Council, and that the current situation and the impact of the Covid-19 pandemic had been factored into this as far as was possible, on the information currently known. During the review, three areas had been highlighted which could be improved including social media controls, procurement and the payment control issues highlighted via internal audit.

Councillor Willetts explained that although he was broadly satisfied with the work that had been carried out in relation to the preparation of the statement, he was concerned about the final month of the financial year. Councillor Willetts expressed serious concerns that actions that had been taken during this last month had conformed with principle seven of the corporate governance guidance, which required good practice in transparency, reporting and audit to deliver effective accountability. He specifically referred to the changes in the governance arrangements and the use of emergency powers that had taken place in the last month of the year, and although the reasons for these changes were understandable, Councillor Willetts did not feel that they were acceptable. Councillor Willetts felt that some decisions that had been taken were perhaps not taken with the required levels of democratic scrutiny, and enquired why, in his opinion, there had been three months of governance decisions taken without any reference to this Committee. Councillor Willetts also expressed his concern at the length of time it had taken to implement digital public meetings, together with the fact that no report on the governance principles of digital meetings had been presented for the consideration of this Committee. It was requested that both the issues that had been raised were addressed in future meetings of the Governance and Audit Committee.

Councillor Pearson confirmed that it was intended to review the new digital ways of working at the next meeting of the Governance and Audit Committee, and that the past few months decision making, when the Council had been in lockdown, would also be reviewed at this time. Councillor Pearson confirmed that throughout the period of lockdown, Officers of the Council had been meeting with all the political groups of Colchester Borough Council, and he invited Dan Gascoyne to comment further on this element of decision making. Dan Gascoyne referred the Committee to the paper that had already been presented to Scrutiny Panel and to Cabinet, which detailed the Council's response to the Covid crisis. Although it was felt that the clarity surrounding the decision that the Council had taken during this period was very good, nonetheless further work was to be undertaken to detail some of the decisions that had been taken under urgency provisions.

Councillor Dundas requested some details be given in relation to the rapid changes that had been required to processes and systems as required in response to the Covid crisis, that had been mentioned in the Officer's report. Councillor Dundas did not believe that the Committee could agree to confirm that it was happy with the control measures put in place, when it did not know what they were for a short period of the year in question. Hayley

McGrath clarified that the systems and process that had been implemented as a result of the Covid crisis had been relating to statutory changes in function and other necessary reactive changes in service delivery, and there had not yet been time for audit processes to be put in place for these, although work was already underway to schedule the necessary audits. Hayley confirmed that the next internal audit report that was presented to the Governance and Audit Committee in six months' time would contain full details of all such audits carried out.

Councillor Pearson noted the comments that had been made, and suggested that approval of the Governance Statement be deferred to the next meeting, and that at this meeting the Statement be reviewed and noted.

Councillor Goacher, in response to the comments by Dan Gascoyne, said that not every Councillor was a member of a group, and would not necessarily have been consulted as part of a group in relation to the decision making process. He further suggested that some comparative work with what other Local Authorities were doing with regard to digital meetings may be of benefit.

*RESOLVED* that the contents of the draft Annual Governance Statement be reviewed and noted, but that approval of the draft Annual Governance Statement be deferred to a future meeting of the Governance and Audit Committee.

## **215. Colchester Commercial Holdings Ltd Annual Report**

Councillor Pearson informed the Committee that Colchester Borough Council had been named as a finalist in the Local Government Chronicle Awards in three categories – Digital Impact, Driving Growth and as an Entrepreneurial Council, and offered his congratulations to Council Staff and Officers for this achievement.

Andrew Tyrrell, Client and Business Manager, and Paul Smith, Group Commercial Director, attended to assist the Committee and presented the report. Andrew Tyrrell gave an overview of the Council's three wholly owned commercial companies; Colchester Amphora Energy Ltd, Colchester Amphora Homes Ltd and Colchester Amphora Trading Ltd. Andrew explained that the companies deliver a number of social benefits as well as economic returns to Colchester Borough Council, and cited the example of the Northern gateway site which was delivering improved infrastructure as well as leisure facilities and housing for residents and businesses, as well as being the location of the Northern Gateway Heat Network which was one of the most innovative renewable energy schemes in the country. The Committee heard that the commercial companies had delivered a number of successes over the past year, including a diverse package of entertainment, obtaining significant funding to improve the CCTV network in the town centre, and the continued success of the Helpline service.

The Committee received a presentation from Paul Smith, Group Commercial Director Colchester Commercial Holdings Limited (CCHL). The Committee heard that it had been projected that CCHL would deliver a target dividend to Colchester Borough Council of £226,000 in this financial year, but in fact a dividend of £394,000 had been delivered, and this was due in part to the way that the commercial companies were structured and managed. Paul highlighted a number of the key developments which were planned for 2021, including the building of a premier sports park offering excellent cycling tracks which

is was hoped would attract national events in the future. In addition to this, the implementation of ultrafast broadband, with download speeds of up to one gigabyte per second, would place Colchester in an enviable position. Other key projects planned for 2020-2021 included using section 106 funding for community buildings, and continuing partnerships with Local Authority partners and the University of Essex. Paul confirmed that CCHL managed Colchester Borough Council's property investment portfolio, which was worth approximately £41.9 million, with income of approximately £3.2 million per year, although this would obviously be affected by the current situation. CCHL would take steps to ensure that the income loss was minimized, while adhering to guidance issued by central government on how to assist companies coming out of the lock down period.

The Committee heard that the events company was a key part of the business which drove significant financial benefit and which had been significantly affected by the Covid 19 situation. Key priorities for the events company looking forward were to hosting events where possible, such as community weddings with limited guest numbers, although large scale, close proximity events, were still not allowed.

The Helpline service that CCHL offers had been very successful through the pandemic, maintaining full service throughout, and even expanding customer numbers. Looking to the future, the Committee heard that the digital upgrade of the Helpline operating system, in conjunction with similar upgrades of the CCTV system would allow opportunities to expand the call centre.

With regard to sports and leisure, Paul confirmed that CCHL acts as managing agent for the sports and leisure budget of Colchester Borough Council, and that in review of the year 2019-2020, the Ipswich Road roadworks had had a severe impact on ease of access to Leisure World, but in spite of this membership had been maintained. The challenge looking forward was to determine how to open up leisure facilities in line with current government guidance.

The Committee heard that Amphora Energy had completed the drilling of the boreholes and testing necessary to confirm that the heat network was viable to proceed, and that the energy centre was on course to be built in the current financial year.

Amphora Homes had been very successful in the preceding year, including receiving planning approval for the Creffield Road and Military Road sites and completion of the final designs for the St Runwald Street development. Key priorities for the coming year were identified as the completion of Creffield Road by March 2021, and advancement of the Military Road and Northern Gateway South schemes.

The revised budget for the Amphora Group had been presented to the Committee with some assumptions built in, such as the service level agreement charges being index linked and distributed across all companies. The likely negative impact of the Covid pandemic on the entertainment company had also been carefully accounted for, and it had been assumed that there would be no large scale outdoor events until January 2021, with weddings gradually starting to become possible over the coming months. The overall effect of Covid on the financial statement presented to the Committee was that the previous forecast dividend due to Colchester Borough Council had been £529,000, but that this had been revised to £226,000.

Councillor Pearson confirmed that the Committee were being asked to consider four items of action required in respect of the report;

2.1 The Committee is invited to review the performance of CCHL (and its subsidiaries) during 2019/20, having regard to the performance information for the year provided in Appendix A.

2.2 The Committee is also invited to make any recommendations to the Portfolio Holder for Commercial Services on CCHL performance management arrangements for 2020/21 and the next three years for consideration in the next three-year business plans.

2.3 To recommend to the Portfolio Holder for Commercial Services and the CCHL Board to commence the review of the Service Level Agreements for services supplied to the companies by the Borough Council early in this financial year.

2.4 To recommend to Cabinet a revised forecasted dividend of £226,000 for the 20/21 financial year as an achievable dividend given the effects on the businesses as a result of the Covid 19 pandemic.

He did, however, note that the Committee were not well placed to consider item 2.2 as they had not yet had sight of the three year plan, and suggested that this should be returned to the Committee at its January 2021 meeting for proper consideration.

Members of the Committee commended the Officers for their work throughout the year, and in producing the report, and particularly noted the successes of the events company and the maintenance of membership levels at Leisure World.

In respect of the sale of various assets mentioned in the presentation, Councillor Goacher requested clarification of the exact nature of those assets, and Paul Smith confirmed that the assets were predominantly at Colchester Northern Gateway with regard to the provision of the medical centre by a third party.

Councillor Willetts enquired about the performance of the pensions in terms of the clarity of operation of the companies, noting that some of the pensions for staff were being billed directly to Colchester Borough Council, and were not appearing in the CCHL statement of accounts presented to this Committee. Councillor Willetts further questioned the revised dividend figure being presented to the Committee as he noted that the figure depended on future uncertainties, and he asked for clarification on the reasoning behind the estimate. In response, Paul Smith explained that CCHL had entered into a 'pass through agreement' with Colchester Borough Council meaning that there was no further need for any form of pension payments between the Council and CCHL. The 'pass through agreement' was a form of underwrite between the Council and the companies, and in the future there would be no cause for concern; the position would be accurately reflected in the accounts. Paul further confirmed that the projected dividend figure did include all the service level agreement charges, and that the revised budget had been examined very carefully and included not only the activities of the trading company, but also profit generated by provision of CCTV, which would be increasing revenue earnings. Paul assured the Committee that the resilience of the revised budget did account for the effect of the pandemic on the events business, but that other elements of the companies' functions underpinned income generation and he was happy to stand by the revised estimates.

Councillor Dundas asked for confirmation of the current predicted revenue, costs, profit and loss of the events company for next year. He further asked for more detail on the levels of risk being attached to the housing elements of the companies, in the light of the potential economic downturn being predicted in some quarters. With regard to future projects, Councillor Dundas noted that the current housing projects were related to land that Colchester Borough Council already owned, and enquired what would happen in the future

when these stocks of Council owned land had been exhausted. Responding to the points raised, Paul Cook undertook to provide further financial details of the events company outside the meeting. He acknowledged that although some reports on the housing market had suggested there would be a dip, this had not yet been seen locally and interest levels from agents and developers was high. Looking further into the future, Paul stated that the Council's ownership of land at the Northern Gateway was sufficient to provide development opportunities for the next five years of trading activity, and that in the future acquiring land for development would be considered at a strategic level. Andrew Tyrell confirmed that although there had been a number of independent reports prepared on the housing market which suggested that although the market was expected to dip as a result of the pandemic, it was also expected to recover, and would have returned to pre-covid levels by the end of the financial year.

Councillor Wood asked about the funding that had been obtained for community facilities at Tiptree including a new gym, and sought confirmation when this would take place. Paul Smith confirmed that this should take place before the end of the calendar year.

*RESOLVED* that:

- The Committee noted that it had reviewed the performance of CCHL (and its subsidiaries) during 2019/20, having regard to the performance information for the year.
- The Portfolio Holder for Commercial Services and the CCHL Board be recommended to commence the review of the Service Level Agreements for services supplied to the companies by the Borough Council early in this financial year.
- A revised forecasted dividend of £226,000 for the 20/21 financial year as an achievable dividend given the effects on the businesses as a result of the Covid 19 pandemic be recommended to Cabinet.

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

Councillor Pearson wished to make some suggestions for modification to the current work programme, following on from discussions that had taken place at the meeting. He requested that Officers present further information to the next meeting of this Committee on 28 July 2020 on Covid-19 governance and scrutiny. He further requested a report on the implementation of the digital solution in response to Covid-19, including early lessons learned, future needs, feedback received from both Councillors and members of the public, any equipment or training needs identified by Councillors.

Councillor Pearson noted that Colchester Commercial Holdings Ltd (CCHL) already featured on the workplan for January 2021, and asked that this report also include at least a draft version of the three year plan.

Councillor Pearson noted that a report clarifying the Annual Governance Statement as amended by discussions at this evening's meeting should be presented to the next meeting of the Committee in July.

Councillor Pearson also noted that there was a report due to be referred to the Committee on NEGC governance arrangements, but was happy to leave the timing of this report to be

determined in the future.

Councillor Dundas commented that there may be future incarnations of the current NEGC that are not yet be known, and that any review of the NEGC governance procedures should also take into account any new or modified organisation carrying the same or similar functions. He also made the point that he had been involved in discussions around new ways of working, and noted that following the recent broadcasting of meetings, the expectation from the public was that this would continue on the return to physical meetings and this was something that should be followed up by this Committee.

*RESOLVED* that the Committee had noted the report.





## Governance and Audit Committee

Item  
**7**

**8 September 2020**

<b>Report of</b>	<b>Chair of Finance &amp; Audit Committee Colchester Borough Homes / Assistant Director Place &amp; Client Services (CBC)</b>	<b>Author</b>	<b>Julie Parker (CBH) Matthew Armstrong (CBH) Andrew Tyrrell (CBC) ☎ 01206 282390</b>
<b>Title</b>	<b>CBH Annual Governance Statement 2019/20</b>		
<b>Wards affected</b>	All		

### 1. Executive Summary

- 1.1 The purpose of the report is for the Committee to review, consider and comment on the Governance Assurance Statement of Colchester Borough Homes. As the Council's Arms-Length Management Organisation (ALMO), Colchester Borough Homes (CBH) are responsible for the management and maintenance of the Council's affordable homes (and some transferred general fund services).
- 1.2 There are good governance arrangements in place, in accordance with the Council's formal Management Agreement, and as set out in more detail within the Report and Appendix. Governance between the Council and CBH is monitored through the Council's Client Team on a daily basis. There are regular meetings and a number of other internal reporting and controls in both respective organisations.
- 1.3 Consequently, through internal and external audits, there were no significant governance issues or actions brought forward from 2018/19 and there are no significant new governance issues arising during 2019/20. Overall, there is "substantial" control procedures in place.

### 2. Recommended Decision(s)

- 2.1 The Committee reviews, considers and comments on the Governance Assurance Statement of Colchester Borough Homes.
- 2.2 The Committee accepts the assurance provided by Colchester Borough Homes regarding its governance arrangements throughout 2019/20.

### 3. Reason for Recommended Decision

- 3.1 Colchester Borough Homes is a wholly owned company of the Council and an Arm's Length Management Organisation (ALMO). As such its accounts are consolidated into the Council's financial statements and disclosures regarding the adequacy and effectiveness of its governance arrangements are included in the Council's Annual Governance Statement.

- 3.2 Colchester Borough Homes has therefore provided the Council with its own Annual Governance Statement for 2019/20 as evidence of how well its arrangements are operating.
- 3.3 The evidence demonstrates good governance arrangements exist, in accordance with the Council's formal Management Agreement, and as set out in more detail within the Report and Appendix. Consequently, through internal and external audits, there are no significant governance issues or actions arising and there are "substantial" control procedures in place.

#### **4. Alternative Options**

- 4.1 Not to accept the findings of the Auditors, the Annual Statement or Report; but there is no evidence to support any concerns being raised.

#### **5. Background Information**

- 5.1 As the Council's Arms-Length Management Organisation (ALMO), Colchester Borough Homes (CBH) are responsible for the management and maintenance of the Council's homes and transferred general fund services. A formal Management Agreement sets out roles and responsibilities between the Council and CBH and runs until August 2023, with a planned review currently underway to decide to take up an optional extension for 5 years beyond that.
- 5.2. The Management Agreement clearly sets out the governance arrangements that should apply between the two parties and complies with national best practice. The Council's Client team work closely with CBH to monitor performance and activities continuously through the meetings set out within the Management Agreement. CBH also has its own Board, with company responsibilities.
- 5.3 The Finance and Audit Committee of Colchester Borough Homes also takes the following actions to assure itself that the Company has proper and secure arrangements in place:
- Each year it agrees an audit plan for a three-year period on a risk-based approach
  - It receives regular updates on the progress against this plan throughout the year from Internal Audit
  - It considers and recommends the Annual Governance Statement to the Board
  - It monitors the actions coming out of the Annual Governance Statement
  - It produces the Risk Management Strategy and monitors the key strategic risks of the Company
  - It scrutinises the proposed budget for the Company and monitors the Company's financial performance against budget and 5-year business plan on a quarterly basis

- 5.4 In accordance with company law Colchester Borough Homes has produced its annual statutory accounts for 2019/20 and had these audited by Scrutton Bland, a firm of external auditors. Scrutton Bland have approved these accounts and given a clean audit opinion.
- 5.5 The COVID-19 situation has meant that the audit has been undertaken remotely, and as a result full access to all information that would normally be available on site has not been possible. Alternative procedures have been undertaken where necessary such that we are able to provide an audit opinion on the financial statements.
- 5.6 The External Audit Partner attended the Finance and Audit Committee meeting on the 4<sup>th</sup> June to report on the audit and take questions from the Committee as they scrutinised the accounts. They also attended full Board on the 1<sup>st</sup> July to answer any questions from Board members.

#### **Head of Internal Audit Opinion 2019/20**

- 5.7 Set out below are some key information from the Internal Audit Opinion Report.
- 5.8 The Audit Plan covered 12 internal audits including all the key financial areas (these were amalgamated into one audit in the year). A separate review of the organisations risk management policy, strategy and framework was also undertaken.
- 5.9 Assurance gradings for the 12 completed projects were as follows:

Assurance Grading	2019/20 Number	2018/19 Number
Full	2	4
Substantial	10	5
Limited	0	0

- 5.10 Overall, there has been little change in the control environment around the key financial systems. Although the percentage of 'full' assurance opinions has technically fallen compared to 2018/19, it should be noted that there were six key financial audits conducted in 2019/20, compared to only five in 2018/19. The audits of Debtors, General Ledger, Housing Rents and Payroll all received the same assurance opinions between years.
- 5.11 Plans have been drawn up to deal with any areas of weakness identified by these audits.
- 5.12 The overall Internal Audit Opinion for 2019/20 is that Substantial Assurance on internal controls within the financial and non-financial systems are in place at CBH in accordance with proper practice.

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

- 6.1 The provision of affordable housing aims to help eliminate inequality and discrimination, as well as human rights issues. The management and maintenance of those homes is

also designed to help our most vulnerable residents. Good governance ensures that this is conducted in the most proper, effective and efficient means to maximise the benefits to our communities. The Report and Appendix demonstrate how governance has an overall positive impact on protected groups, and they will have a positive impact on the availability of housing in Colchester, especially the availability of affordable housing.

6.2 The recommendations have due regard to the Council's "Public Sector Duty" and help to create a fairer society, improve housing choice and social mobility (including for protected groups). The work of CBC and CBH will help to improve the housing conditions and life chances of people with protected characteristics, including homeless and/or low-income households, people with disabilities and families on the housing needs register.

6.3 Further Equality Impact Assessment information can be found [here](#)

## **7. Strategic Plan References**

7.1 The following Strategic Plan References are relevant:

Growth: Ensuring all residents benefit from the growth of the borough

- Help make sure Colchester is a welcoming place for all residents and visitors

Wellbeing: Making Colchester an even better place to live and supporting those who need most help

- Encourage belonging, involvement and responsibility in all the borough's communities
- Create new social housing by building Council homes and supporting Registered Providers
- Target support to the most disadvantaged residents and communities

## **8. Consultation**

8.1 There is no direct consultation requirement from this report. CBH and CBC consult residents and tenants on a number of housing issues regularly.

## **9. Publicity Considerations**

9.1 None specific to this report.

## **10. Financial implications**

10.1 There are no specific financial implications for this report; however, good governance ensure that effective and efficient services are provided, and that the arrangement result in value for money.

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

11.1 There are no specific implications but generally the proposal aims to promote positive health and well-being for our residents. The provision of affordable homes helps generate better living conditions for our most vulnerable residents, improving the quality of life.

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

12.1 There are no specific concerns related to proposals outlined herein. A reminder is given that health and safety remains a responsibility of the Council even where CBH manage our properties, but that governance controls are in place for this.

### **13. Risk Management Implications**

- 13.1 There are no significant risk management issues that arise from this report and there should be firm reassurance that good governance is in place to manage risks. Failure to operate robust governance arrangements can potentially lead to poor management, performance and services not delivered to standard. It increases the risk that the organisation's strategic objectives will not be delivered.
- 13.2 Reviewing the governance arrangements each year and identifying and addressing the key issues minimises any risks.

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

- 14.1 The effective and efficient management of the affordable housing stock, nearly 6,000 homes, includes planned work to develop new properties and acquire new properties. There is also planning underway to improve existing older homes in order to improve the Council overall carbon footprint. The Council properties compare favourably with other Council and have an average rating of C.

### **15. Appendices**

- 15.1 Annual Governance Statement 2019/20





## Colchester Borough Homes Annual Governance Statement 2019/20

### 1. Scope of Responsibility

Colchester Borough Homes (CBH), formed in October 2003, is the Arms-Length Management Organisation of Colchester Borough Council (CBC), responsible for the management and maintenance of the Council's housing stock and transferred general fund services. In 2019/20, these were primarily financed from the Council through a Management Fee of £9,895,000. This fee also includes Property Services professional fees, Corporate Facilities management fee and CBH Revenue work costs. Property Services also manages capital and revenue work costs paid directly by CBC, totaling £5,597,000.

There is a formally binding Management Agreement between the Council and CBH in place until August 2023, with a review in 2020. This clearly sets out the governance arrangements that should apply between the two parties and complies with national best practice.

CBH is managed by a Board comprising at least three Council nominees, three residents, three independent members and the Chief Executive. The Memorandum and Articles of Association were revised and approved in 2017 to change the number of members on the Board, and to give the flexibility to add member(s) of the Executive Management Team. In discharging this overall responsibility, Colchester Borough Homes is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Two committees report to the Board: Finance & Audit and Appointments & Remuneration. Additionally, there is also a Business Development Panel and a Residents' Panel. These all have formal, approved terms of reference, which are reviewed biennially.

### 2. The Purpose of the Governance Framework

Good governance leads to good management, good performance, good stewardship, good public engagement and ultimately good outcomes for citizens and the service user. Good governance enables the Company to pursue its vision effectively, as well as underpinning that vision with mechanisms for control and management of risk.

The governance framework comprises the systems, processes, culture and values by which the Company is directed and controlled and its activities through which it accounts to, engages with and serves the community. It enables the Company 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, 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 Company's policies, aims and objectives

- To evaluate the likelihood of those risks being realised and the impact should they be realised
- To manage them efficiently, effectively and economically.

The governance framework has been in place at Colchester Borough Homes for the year ended 31 March 2020 and up to the date of approval of the financial statements of accounts.

Colchester Borough Homes exercises control through:

- Corporate governance arrangements outlined in the Memorandum & Articles of Association, the Code of Governance and the Standing Financial Instructions.
- The employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal annual appraisal system.
- The preparation of forecasts and budgets that allow the committees and the executive officers to monitor the key business risks and financial objectives, and identify variances arising during the monthly reporting cycle.
- Business planning based on a Strategic Plan, that sets out key actions to enable CBH to achieve its goals for the ensuing year, and the Medium Term Delivery Plan which is approved by CBC. This cascades through supporting Service Plans and individual performance appraisals. The key aims of the Strategic Delivery Plans are:
  - ✓ Customer Plan
    - To deliver services that reflects the needs and diversity of our customers
    - To make it easy for customers to do business with us
    - To improve Customer Satisfaction
  - ✓ Value for Money, Technology and Investment Plan
    - To invest money in a way that helps customers and communities
    - To use technology to do things better
    - To get the most for the money we spend
  - ✓ People Plan
    - To support our staff to do the best job possible
    - To make CBH a great place to work
  - ✓ Business Development Plan
    - To protect services by looking after the future of the business
    - To bring in extra income to invest in our services
  - ✓ Leadership Plan
    - To show we can be trusted to do what say we will
    - To be clear about our organisational goals and how to achieve them
  - ✓ Community Plan
    - To raise awareness of our work in the community
    - To bring together organisations and residents for the benefit of the community

The Executive Management and the Board carry out regular reviews of performance against



objectives and targets detailed in the Strategic Plan.

### **3. Review of Effectiveness**

Colchester Borough Homes conducts, 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 Executive Directors and Senior Management Team within the Company, who have responsibility for the development and maintenance of the governance environment. This is supported by the Internal Audit's annual report, and by comments made by external auditors and other review agencies and inspectorates.

The company has produced a Strategic Plan, setting out the direction of the company until 2022. This combined with the Medium Term Delivery Plan are the primary guiding documents for the Company. From these plans, Key Performance Indicators (KPIs) and projects are produced. A performance and scrutiny framework is in place to review and monitor delivery against these. This is a combination of Board, senior management, tenants and CBC scrutiny as well as benchmarking against other providers.

CBH's internal arrangements for ensuring the effectiveness of its governance arrangements consist of:

- The Board receiving quarterly progress reports on delivery of the Strategic plans and the Medium Term Delivery Plan.
- The Appointments & Remuneration Committee considering significant staffing matters.
- The Finance & Audit Committee considering Internal Audit reports throughout the year, reviewing how well strategic risks are identified and managed, and monitoring financial performance against budgets.
- The Finance & Audit Committee monitoring the regular review of key policies against an agreed policy review timetable.
- The Residents' Panel, consisting of involved residents and Resident Board Members, reviewing key service areas to help improve service delivery and ensure that residents have the opportunity to influence and be involved in governance of the Company.
- The Business Development Panel reviewing performance against the Business Development Plan and scrutinising new business opportunities.
- The production and approval of annual Manager Assurance Statements by service directors and their teams to assess compliance with key governance processes throughout the year.

CBH will ensure that its arrangements to monitor the effectiveness of its governance arrangements remain in place and reflect best practice.

### **Internal Audit**

Internal Audit was delivered through a contract with Mazars LLP (Mazars). As of 31 March 2020,

Mazars LLP ceased the role of internal auditor and TIAA has been awarded a five-year contract to replace Mazars from 1<sup>st</sup> April 2020.

The audit plan was delivered, with reports issued to senior managers at the conclusion of each audit highlighting internal control weaknesses identified and the actions required to address them. Recommendations were also reviewed to ensure they were implemented properly by the due date. Reports were presented to each Finance & Audit Committee of progress against the audit plan as well as the status of outstanding recommendations.

The Head of Internal Audit prepares an annual Head of Internal Audit Opinion (HOIA) report that includes an overall opinion on CBH's internal control environment based on the results of the audit work completed. This was considered by the June 2020 Finance & Audit Committee.

Internal Audit performance is subject to annual review by the external auditor of CBH in order that they can place reliance on its audit work. The Company provided the Council with the following assurance regarding the robustness of its governance arrangements during the year:

- Internal Audit reports
- Summary results of Manager Assurance Statements
- The Annual Report, which incorporates the Head of Internal Audit's annual report (including an opinion on the effectiveness of the company's systems of internal control)

## **External Audit**

External Audit of the annual financial statements is undertaken by Scrutton Bland with a view to expressing an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

In carrying out the audit work, Scrutton Bland will consider whether the financial statements are free from 'material misstatement'. Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item will normally be considered material if its omission would reasonably influence the decisions of those using the financial statements.

Scrutton Bland will issue a report to management at the conclusion of the audit work. This will include a management letter that will contain comments and recommendations for improvements in operations and internal control in respect of the Company. This will be discussed with management prior to the issue of the final report. The report will also include details of significant adjusted and unadjusted items that arise as a result of the audit work.

The Finance & Audit Committee considers the external auditor's report and recommends adoption of the financial statements to the Board.

## **4. Significant Governance Issues brought forward from 2018/19**

There were no significant governance issues or actions brought forward from 2018/19. The Board Effectiveness Review Action Plan included some long-term actions due for completion by 31<sup>st</sup> March 2020, however with the appointment of a new Chair and new Board members, these outstanding actions have now been incorporated into the future development of the Board under

the Leadership Strategic Delivery Plan.

## 5. Significant Governance Issues 2019/20

Governance issues identified through the Governance Assurance Process in 2019/20 that are to be addressed in 2020/21 are:

- Further procurement training.
- Budget management training and support.
- To embed the new risk management process and provide risk training to staff.

### Action Plan

An action plan is set out below to address the governance issues that have been identified through the governance assurance process. Progress against this plan will be monitored by the Finance and Audit Committee and Board.

Description	Action	Responsibility	Target Completion Date
Procurement	Additional training	Director of Business Improvement	Dec 2020
Budget Management Training	Establish new reports and provide training.	Head of Finance	Nov 2020
Risk Management	Update Policy, Strategy and Framework. Conduct Risk Appetite exercise with Board members. Embed process.	Director of Business Improvement	Jul 2020
	Training		Sep 2020

Through completing this action plan the Company is satisfied that it will have made the improvements that were identified in its review of effectiveness.

**Signed:** \_\_\_\_\_  
(Chair of the Board)

**Signed:** \_\_\_\_\_  
(Chair of the Finance & Audit Committee)

**Signed:** \_\_\_\_\_  
(Chief Executive Officer)



8 September 2020

Report of	Assistant Director Corporate and Improvement	Author	Darren Brown 📞 282891
Title	Financial Monitoring Report – April to June 2020		
Wards affected	Not applicable		

## 1. Executive Summary

- 1.1 This report gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets. The financial position is summarised as follows:-
- The General Fund is showing a net overspend against services of £1,851k as at period 3. This includes less expenditure of £596k and less income of £2,447k, compared to profiled budgets.
  - The current forecast outturn position for the General Fund is a net overspend of £9.238m, before Government funding and the use of reserves.
  - The Housing Revenue Account is showing a net underspend of £403k as at period 3, and is forecast to be on budget at the year-end.
- 1.2 Assistant Directors and their budget holders have undertaken a thorough review of the financial position for their services, which is reflected in this report. In addition, Senior Management Team (SMT) continues to monitor the budget position on a monthly basis. The next report to the Committee will consider the position after 9 months, with the half-year position being reported to Scrutiny Panel in November. This half year review will provide a better opportunity to assess progress against budget targets and income levels, and any resulting necessary action to mitigate any forecast budget variance will be considered.

## 2. Action required

- 2.1 The Committee is asked to consider the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first three months of 2020/21, and to note the forecast budget overspend of £9.238m on the General Fund before the use of reserves.

## 3. Reason for scrutiny

- 3.1 Monitoring of financial performance is important to ensure that:
- Service expenditure remains within cash-limited budgets.
  - Potential variances at year-end are identified early so that remedial action can be taken to recover the position or 'recycle' any surplus budgets.
  - Performance targets are being met.
- 3.2 This report also gives the committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets.

## 4. Background

- 4.1 This report reviews the Council's overall position based on profiled income and expenditure for the three months to 30 June 2020, and also shows a projection of the outturn figures for the full year. All the information presented in respect of General Fund Services shows the position based on net 'direct costs'. The review of the Housing Revenue Account is different in that it shows all costs, both direct and indirect.
- 4.2 At its meeting on 3<sup>rd</sup> June 2020, Cabinet considered the impact of Covid 19 (Coronavirus) on the Council's finances, for the 2020/21 budget and the Medium Term Financial Forecast to 2024/25. Updates have been provided subsequently at the Cabinet meeting of 8<sup>th</sup> July and via all Member briefings delivered during August. Members therefore are fully aware of the significant impact the pandemic has had on the Council's finances, which are reflected within this report.

### Summary Position

- 4.3 The projected outturn for the General Fund is currently a net overspend of £9.238m, before Government funding and the use of reserves. The Housing Revenue Account forecast outturn position is currently to be on budget.
- 4.4 The General Fund position is set out in more detail in the following paragraphs and the HRA position explained in paragraphs 4.17 to 4.21. Budgets carried forward from 19/20 are now included in the schedules within this report, and as such will be monitored as part of the overall position.

### General Fund – Position to 30 June 2020

#### *Service Budgets*

- 4.5 Appendix A shows the current budget variances and forecast outturn variances by Service Group. The net position shows a variance against profiled budget for General Fund Services (excluding Benefits, NEPP & JMC) of £1,851k (adverse). This comprises total expenditure being £596k lower than expected and total income being £2,447k lower than expected. Appendix B breaks these variances down by subjective group.

#### *Income*

- 4.6 Income to the Council is below targets in most areas to date, but most notably in Parking, Sport & Leisure and Museums. Clearly this is as a result of the Coronavirus lockdown. However, income levels are above profiled budgets within Bereavement Services and Planning.

#### *Expenditure*

- 4.7 There are underspends against profiled budgets in a number of services areas, predominantly within premises, transport and supplies & services costs. This can be as a result of profiling of budgets as well as timing of expenditure.
- 4.8 Benefits payments are not shown in Appendix A & B to avoid distorting the reported position for Service Groups. It is currently projected that this area will be on budget at year end, when the final subsidy claim is paid. Furthermore, NEPP and JMC variances are not included in the Appendix A & B totals, given these areas are ring-fenced and are reported to the relevant joint committee.

## Outturn Forecast / Risk Areas

- 4.9 This is the first formal review this year of the 2020/21 budget position, and the current forecast outturn is a net overspend of £9.238m, before Government funding and the use of reserves.

	£'000	
Service budgets	8,938	See paras. 4.10, 4.13 and Appendix D
Technical / Corporate Items	300	
<b>Potential net overspend</b>	<b>9,238</b>	

### Service Budgets

- 4.10 The following table sets out the forecast outturn for all service areas, with outturn variances. This shows a net forecast overspend of £8,938k. As the table shows, this is mainly due to less income of £8,678k, as a result of Coronavirus. The largest areas contributing to the net position are;

- Car Parking: Income shortfall of £2,993k.
- Sport & Leisure: Net income shortfall of £3,007k from Leisure World and NGW Sports site.
- Neighbourhood Services: £175k Vacancy factor pressure, £537k paper collection/recycling pressure, £263k loss of income in trade waste.
- Commercial & Investment Properties: Net income shortfall of £480k.
- CCHL Dividend: Reduced dividend of £302k.
- Museums: Income shortfall of £360k.
- Council Tax Sharing Agreement shortfall of £150k
- Additional Coronavirus related costs within services.

Service	Forecast outturn		
	<i>Expenditure</i>	<i>Income</i>	<i>Net</i>
	£'000	£'000	£'000
Corporate & Improvement (incl. CDC)	183	230	413
EMT (including additional Coronavirus costs)	119	-	119
Community	(90)	567	477
Customer	(215)	154	(61)
Environment	648	3,450	4,098
Place & Client	(385)	4,277	3,892
<b>Total all services</b>	<b>260</b>	<b>8,678</b>	<b>8,938</b>

### Appendix C

- 4.11 Appendix C shows the original Council budget, the reforecast budget for Coronavirus (as per the June Cabinet report), and forecast outturn as at Quarter 1. The purpose of this table is to bring together the overall revenue budget, given the range of assumptions and plans that are in place to fund the budget gap in 20/21. This therefore shows the impact of Government funding and the required use of reserves.

The reason for the difference between the forecast position in Table 1 and Appendix C, is that the former is measured against the Original Budget agreed by Cabinet in January 2020, and the latter is measured against the reforecast budget considered by Cabinet in June 2020.

The main changes are that we are showing less use of reserves of £4.45m in 20/21 now, primarily because of;

- Government support of £5.1m for funding income losses (this is the assumption as at Quarter 1, but which may well end up being lower given more detailed guidance received by Government on 25<sup>th</sup> August),

- £0.317m third tranche of Government funding (share of £500m)
- Lower furlough income of £0.6m than originally assumed.

#### *Corporate / Technical Items*

- 4.12 The budget includes a number of corporate and technical budget areas such as net interest earnings, the provision to repay debt, pension costs and some non-service specific grants. It is currently forecast that there will be a shortfall in interest earned of £300k, given the extremely low cash investment rates.
- 4.13 Appendix D sets out details of all forecast variances against service budgets at the year-end totalling £8,938k. To provide some context on the scale of the variances shown in Appendix D, a percentage value has been included within the comments which shows the proportion of the relevant budget that it represents. For example, an underspend due to vacant posts or the vacancy factor would be expressed as a proportion of the total employees budget for that area.

#### ***Summary position and action proposed***

- 4.14 The forecast outturn shows a potential net overspend of £9.238m before Government funding and the use of reserves. The impact of Coronavirus on the Councils finances is continually being reviewed, and therefore further more detailed work will continue to be undertaken during Quarter 2 to ensure forecast outturn positions are robust, including those income areas where they have been particularly impacted by Coronavirus and the associated lockdown.
- 4.15 The position (net overspend on services) is broadly in-line with the original estimated position at the start of the Coronavirus pandemic. At the end of Quarter 1, it is still early in the financial year, and there are a number of assumptions under-pinning the forecast which could easily change as we continue to move out of lockdown and see how customers react to the “new normal”.
- 4.16 Assistant Directors and their budget holders have undertaken a thorough review of the financial position for their services, which is reflected in this report. In addition, SMT continues to monitor the budget position on a monthly basis. The next report to the Committee will consider the position after 9 months, with the half-year position being reported to Scrutiny Panel in November. This half year review will provide a better opportunity to assess progress against budget targets and income levels, and any resulting necessary action to mitigate any forecast budget variance will be considered.

#### **Housing Revenue Account**

- 4.17 The Housing Revenue Account (HRA) is a ring-fenced account which is affected by a number of variable factors. At the end of June 2020, the HRA is showing a net underspend of £403k compared to the profiled budget for the same period. This is primarily due to lower expenditure on Premises costs of £384k and Supplies and Services of £50k, and £27k less income than budgeted.

#### *Position to date*

- 4.18 Premises related costs are showing an underspend of £384k as at the end of June 2020. Overall, there is a net underspend of £132k on Repairs and Maintenance, which primarily relates to the timing of expenditure on repairs and maintenance of pumping stations, Homeless Persons Units and other delegated areas. There are further underspends of £16k on Council Tax on void properties, and £85k on Grounds Maintenance budgets, £132k on Utility and Water costs and £16k on Cleaning Contract costs which relate to the timing of expenditure.
- 4.19 Supplies & Services costs are underspent by £50k at the end of June. There is a general underspend across most budget headings, which primarily relate to the timing of expenditure, the main factors being grants of £21k and IT costs of £11k.



- 4.20 We have received £27k less income at the end of June 2020. This primarily reflects the net impact of rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the level of Right to Buy sales, along with the timing of acquisition and additions to our housing stock.

#### *Forecast Outturn*

- 4.21 The HRA is currently forecast to be on budget at the year-end. Any underspend or overspend that occurs in the year will be used to fund a greater/lesser proportion of our Housing Capital Programme through a variation to the Revenue Contribution to Capital.

### **5. Standard References**

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

### **6. Strategic Plan References**

- 6.1. The priorities within the Strategic Plan are reflected in the Medium-Term Financial Forecast, albeit having been reviewed to deal with the impact of the Coronavirus. This makes assumptions regarding government grant/funding and Council Tax income, and identifies where necessary savings will be found in order to achieve a balanced budget. The 2020/21 revenue budget was prepared in accordance with the Strategic Plan's priorities, in the context of the Council facing growing financial pressures. Budget monitoring enables the financial performance against these priorities to be assessed.

### **7. Financial Implications**

- 7.1. As set out above.

### **8. Environmental and Climate Change Implications**

- 8.1. All budget measures will be assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's post-Covid recovery planning.

### **9. Risk Management Implications**

- 9.1. Risk management is used throughout the budget cycle, and this is reflected in the strategic risk register. The 2020/21 revenue budget report that was approved by Council in February 2020 took into consideration a number of potentially significant risk areas that had been identified during the budget process. In addition, Assistant Directors identify a number of both positive and negative risk areas during the year.
- 9.3 Extensive modelling work has been undertaken to understand the impacts and variables arising from the crisis. Further government support should be provided and will be sought by lobbying and in discussions with MHCLG but is uncertain.
- 9.4 Leisure and commercial income is very dependent on events beyond the Council's control, on the easing of lock-down, the return of consumer confidence, and impacts due to the severity and duration of the macro-economic downturn and recovery.
- 9.5 Modelling has been undertaken with service managers to assess the potential range of impacts before adopting the assumptions reflected within the report.

- 9.6 All the above and other significant uncertainties and risks will have to be managed. Further material change is likely to budget assumptions and the actions needed to ensure a balanced budget.

## **Background Papers**

None

**Period 3 – Current Budget Variances and Forecast Outturn Variances by Service Area**

	Area	Position to date			Forecast Outturn		
		Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Corporate &amp; Democratic Core</b>		(46)	(80)	(126)	-	150	150
	<b>Total</b>	<b>(46)</b>	<b>(80)</b>	<b>(126)</b>	<b>-</b>	<b>150</b>	<b>150</b>
<b>Executive Management Team</b>							
	EMT	(8)	-	(8)	(14)	-	(14)
	Coronavirus	126	-	126	133	-	133
	<b>Total</b>	<b>118</b>	<b>-</b>	<b>118</b>	<b>119</b>	<b>-</b>	<b>119</b>
<b>Community</b>							
	Assistant Director Communities	(1)	-	(1)	(3)	-	(3)
	Licensing & Food Safety	(17)	30	13	(28)	75	47
	Community Safety	(3)	-	(3)	(1)	-	(1)
	Environmental Health Services	(13)	-	(13)	15	4	19
	Building Control	(26)	39	13	(46)	50	4
	Community Initiatives	7	-	7	9	-	9
	Private Sector Housing	(7)	(12)	(19)	(34)	17	(17)
	Bereavement Services	(46)	(103)	(149)	15	25	40
	Cultural Services	(6)	10	4	(17)	36	19
	Colchester Museums	(6)	128	122	-	360	360
	<b>Subtotal</b>	<b>(118)</b>	<b>92</b>	<b>(26)</b>	<b>(90)</b>	<b>567</b>	<b>477</b>
	Colchester & Ipswich Museums	(13)	45	32	(76)	102	26
	<b>Total</b>	<b>(131)</b>	<b>137</b>	<b>6</b>	<b>(166)</b>	<b>669</b>	<b>503</b>
<b>Customer</b>							
	Assistant Director Customers	-	-	-	-	-	-
	Accounts & Debt	(4)	-	(4)	(11)	-	(11)
	Local Taxation & Business Rates	(8)	44	36	1	-	1
	Benefits & Hub	42	(1)	41	(44)	-	(44)
	Contact & Support Centre	(11)	-	(11)	(49)	-	(49)
	Electoral Services	(56)	-	(56)	(82)	-	(82)
	Customer Digital & Systems	1	-	1	(23)	-	(23)
	Land Charges	(10)	32	22	(7)	154	147
	<b>Subtotal</b>	<b>(46)</b>	<b>75</b>	<b>29</b>	<b>(215)</b>	<b>154</b>	<b>(61)</b>
	Benefits - Payments & Subsidy	1,173	152	1,325	-	-	-
	<b>Total</b>	<b>1,127</b>	<b>227</b>	<b>1,354</b>	<b>(215)</b>	<b>154</b>	<b>(61)</b>
<b>Environment</b>							
	Assistant Director Environment	(2)	-	(2)	(10)	-	(10)
	Neighbourhood Services	(303)	238	(65)	658	457	1,115
	Car Parking	(22)	865	843	-	2,993	2,993

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
	<b>Subtotal</b>	<b>(327)</b>	<b>1,103</b>	<b>776</b>	<b>648</b>	<b>3,450</b>	<b>4,098</b>
	Parking Partnership (NEPP)	186	772	958	90	-	90
	<b>Total</b>	<b>(141)</b>	<b>1,875</b>	<b>1,734</b>	<b>738</b>	<b>3,450</b>	<b>4,188</b>
	<b>Place &amp; Client</b>						
	Assistant Director Place & Client	-	-	-	1	-	1
	Place Strategy	14	(4)	10	68	-	68
	Housing	310	(127)	183	(7)	-	(7)
	Planning	45	(38)	7	1	-	1
	Sustainability & Climate Change	4	-	4	(10)	-	(10)
	<b>Subtotal</b>	<b>373</b>	<b>(169)</b>	<b>204</b>	<b>53</b>	<b>-</b>	<b>53</b>
	<i>Company Related:-</i>						
	Client – Commercial Company	-	-	-	5	302	307
	Corporate Asset Management	(77)	44	(33)	45	-	45
	Commercial & Investment	(93)	31	(62)	50	430	480
	Sport & Leisure	(344)	1,273	929	(538)	3,545	3,007
	<b>Total</b>	<b>(141)</b>	<b>1,179</b>	<b>1,038</b>	<b>(385)</b>	<b>4,277</b>	<b>3,892</b>
	<b>Corporate &amp; Improvement</b>						
	Assistant Director Corporate & Improvement	(6)	-	(6)	-	-	-
	Finance	57	-	57	136	-	136
	ICT	(44)	11	(33)	80	-	80
	People and Performance	1	22	23	(60)	80	20
	Governance	(50)	45	(5)	12	-	12
	Communications	6	-	6	15	-	15
	<b>Total</b>	<b>(36)</b>	<b>78</b>	<b>42</b>	<b>183</b>	<b>80</b>	<b>263</b>
	<b>Total (excl. Benefits, NEPP &amp; JMC)</b>	<b>(596)</b>	<b>2,447</b>	<b>1,851</b>	<b>260</b>	<b>8,678</b>	<b>8,938</b>
	<b>Total (all)</b>	<b>750</b>	<b>3,416</b>	<b>4,166</b>	<b>274</b>	<b>8,780</b>	<b>9,054</b>

**Current Budget Variances and Forecast Outturn Variances by Subjective Group**

		Position to date			Forecast Outturn		
		Actual	Budget	Variance	Actual	Budget	Variance
	Subjective	£'000	£'000	£'000	£'000	£'000	£'000
	<b>Expenditure</b>						
	Employees	5,910	5,993	(83)	23,526	23,888	(362)
	Premises Related	2,578	2,703	(125)	6,865	6,823	42
	Transport Related	239	414	(175)	2,077	2,062	15
	Supplies & Services	2,221	2,481	(260)	6,994	6,892	102
	Third Party Payments	1,150	1,153	(3)	4,642	4,180	462
	Transfer Payments	123	73	50	293	293	1
	Capital Financing Costs	0	0	0	110	110	0
	<b>Total</b>	<b>12,221</b>	<b>12,817</b>	<b>(596)</b>	<b>44,507</b>	<b>44,248</b>	<b>260</b>
	<b>Income</b>						
	Government Grant	(413)	(398)	(15)	(433)	(433)	0
	Other Grants & Reimbursements	(851)	(758)	(93)	(2,896)	(3,352)	456
	Customer & Client Receipts	(2,901)	(5,458)	2,557	(13,378)	(21,600)	8,222
	Income-Interest	(63)	(61)	(2)	(205)	(205)	0
	Inter Account Transfers	0	0	0	0	0	0
	<b>Total</b>	<b>(4,228)</b>	<b>(6,675)</b>	<b>2,447</b>	<b>(16,912)</b>	<b>(25,590)</b>	<b>8,678</b>
	<b>Net</b>	<b>7,993</b>	<b>6,142</b>	<b>1,851</b>	<b>27,595</b>	<b>18,658</b>	<b>8,938</b>

**Summary showing Original Council budget, revised for Coronavirus and latest forecasts.**

	2020/21 Original Budget	2020/21 - Revised Budget (June Cabinet)	2020/21 – P3 Forecast	2020/21 – P3 Forecast Variance
	£'000	£'000	£'000	£'000
<b>Base Budget</b>	20,206	20,206	20,206	0
One-off items	(270)	(270)	(270)	0
Cost Pressures	5,768	5,768	5,768	0
Cost Pressures - Transformation	-	250	250	0
Cost Pressures - Covid-19 - Economic & Income	-	9,392	0	(9,392)
Cost Pressures - Covid-19 - Service Costs	-	500	0	(500)
Cost Pressures - Covid-19 - Recovery	-	333	333	0
NSP excluding NHB - revenue	71	71	71	0
NSP excluding NHB - Capital financing	145	145	145	0
Growth Items	55	55	55	0
Savings	(1,848)	(2,348)	(2,348)	0
Change in use of NHB for one off investment	387	(113)	(113)	0
2020/21 Forecast Outturn (Table 1)			9,238	9,238
Corporate Assumption-Commercial/Investment Income & Economic Provision			1,000	1,000
<b>Forecast Base Budget</b>	<b>24,514</b>	<b>33,989</b>	<b>34,335</b>	<b>346</b>
<i>Funded By:</i>				
Business Rates Baseline	(4,300)	(4,300)	(4,300)	0
SFA	(4,300)	(4,300)	(4,300)	0
Increase in NNDR / tax base above baseline	(1,870)	(1,870)	(1,870)	0
Business Rates Pooling	(200)	(200)	(200)	0
New Homes Bonus	(3,602)	(3,602)	(3,602)	0
Govt Reimbursement - Covid-19		(3,323)	(3,015)	308
Govt Reimbursement - Covid 19-Income Support			(5,108)	(5,108)
<b>Total Gov't grants &amp; business rates</b>	<b>(9,972)</b>	<b>(13,295)</b>	<b>(18,095)</b>	<b>(4,800)</b>
Council Tax	(12,503)	(12,503)	(12,503)	0
Collection Fund Deficit / (Surplus)	55	55	55	0
Business Rates Deficit / (surplus)	485	485	485	0
Contribution to / (Use of Reserves)	(2,579)	(2,039)	(2,039)	0
Use of Reserve/Balances for Covid-19 (NNDR)	0	(6,692)	(2,238)	4,454
<b>Total Funding</b>	<b>(24,514)</b>	<b>(33,989)</b>	<b>(34,335)</b>	<b>(346)</b>
<b>Forecast Overspend / (Underspend)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Forecast Outturn Variances**

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
EMT				
Executive Management Team	(14)	-	(14)	Underspend forecast due to a change of hours and no pension costs for 9 months, partially offset by pension strain costs (2%).
Corona Virus	126	-	126	Overspend forecast due to capturing Covid related pay across the whole organisation, within EMT. This was in case a claim to Government was needed for these additional Covid costs (100%).
Community				
Assistant Director Communities	(3)	-	(3)	Employees underspend on pensions due to a staff member opting out of the pension scheme (2%).
Licensing and Food Safety	(28)	75	47	Employees underspend of £28k (6%) due to vacant posts. £75k overall shortfall of income (14%), mainly in Licensing £71 due to Covid-19 impact on businesses potentially ceasing their trading.
Community Safety	(1)	-	(1)	Small overspend forecast.
Environmental Health Services	15	4	19	£27k (100%) of employee overspends are forecast due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies, offset by savings on pension, casual staff costs and reduced mileage claims from staff within Environment service. The target is fully absorbed by staff savings within Safety and Protection service. £4k (6%) less income in Animal / Pest control.
Building Control	(46)	50	4	Employees underspend of £44k (11%) due to vacant posts. £2k (17%) underspend on staff mileage costs. £50k (11%) shortfall in income predicted due to Covid-19.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Community Initiatives	9	-	9	Employees underspend of £12k (3%) due to savings on a vacant post. This is offset by £20k savings target yet to be achieved for overhead recovery.
Private Sector Housing	(34)	17	(17)	Employees underspend of £34k (7%) due to member of staff being on reduced hours, vacant Support Officer post in Healthy homes and mileage claims savings. Shortfall in income of £15k (75%) from CBH to PSH but are expecting income to be forthcoming. Less inspections income from reduced enforcement activity due to Covid-19 restrictions.
Bereavement Services	15	25	40	Backdated broadband costs overspend of £8k (94%). £5k (18%) overspend on Assisted funerals referrals that have increased in numbers. Overall £25k (2%) shortfall in income. Although Cremations are currently exceeding income target other income sources have fallen behind - mainly burials and memorials income. Expecting a small shortfall of income from leasing Cem and Crem offices due to tenants not trading at present (Estates to review).
Cultural Services	(17)	36	19	Underspend on casual staff costs of £2k (1%). £6k (66%) underspend on goods for resale is offset by £12k (66%) shortfall in sales income. Forecasted full budget saving of £10k (100%) on payments to coach companies. No income forecasted for advertising and guided tours (100%).
Colchester Museums	-	360	360	£18k (82%) less income for guided tours. £342k (72%) less income on general and schools' admissions due to closure of the Castle. It is assumed that after opening at the end of July there will be very limited income from new customers and residents will be mainly using their annual passes.



Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Colchester and Ipswich Museums (CIMS)	(76)	102	26	CIMS is a ring-fenced budget. There is a forecast underspend of £44k (2%) on salaries due to vacant posts and reduced casual staff costs due to closure of the venues. Forecasted overspend on backdated NNDR bill of £6k (9%) and forecasted increased cleaning costs of £8k (61%) to ensure premises are safe to attend after venues re-open at the end of July. £45k (55%) underspend on materials for resale is offset by £91k (57%) shortfall in sales income in Retail. Additional loss of income on Events of £11k (34%).
<b>Customer</b>				
Accounts & Debt	(11)	-	(11)	Annual forecast underspends on training across the Service due to Covid 19 (£8k) (60%), central stationery (£3k) (27%).
Local Taxation & Business Rates	1	-	1	The annual forecast overspend relates to employee costs within NNDR team (1%).
Benefits & Hub	(44)	-	(44)	The annual forecast underspend relates to employee costs within this area; Benefits Processing (£20k) (6.8%), The Community Hub (£21k) (7%) and Technical Services (£4k) (1.4%). There will be efficiency savings for 21/22 made in these areas.
Contact Support Centre	(49)	-	(49)	The annual forecast underspend relates to employee costs (4.3%) with two advisors leaving. These Advisors will not be replaced due to efficiency savings being realised.
Electoral Services	(82)	-	(82)	The annual forecast underspend relates to the employee costs (£80k) (100%) associated with holding an Election (Elections have now been deferred due to Covid 19) and pension costs within the Electoral Services team (£2k) (16%).
Customer Digital & Systems	(23)	-	(23)	An annual forecast underspend on employee costs (5%) partially offset by an overspend on system software licences (40%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Land Charges	(7)	154	147	Annual income is forecast to be £154k (61.9%) less than the budget, and an £8k underspend is forecast on ECC Search Fees (5.4%) to reflect the impact of Covid-19.
<b>Environment</b>				
Assistant Director Environment	(10)	-	(10)	Employee underspends.
Neighbourhood Services	658	457	1,115	£175k Employee overspends are forecast due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (2.83%) A £262k shortfall of income is forecast on Trade Waste Collections to reflect the impact of Covid-19 (42.4%) Income at Highwoods Country Park, Sports Playing Fields, Mersea Island, Market & Street Trading, Castle Park, Depot and Voids have all been affected by Covid-19 and are forecast to be less than the budget. Following market fluctuations net income derived from the sale of paper will reduce, a £70k pressure is forecast on income (31.85) and £467k additional contractor costs are forecast to be incurred.
Car Parking	-	2,993	2,993	Due to the impact of Covid 19, all parking income is forecast to be less than the budget. Pay and Display is currently forecast to be £2,807k less (75%), Season Tickets £41k less (84%) and PCN income £145k less (80.5%). All income streams are reviewed monthly and the forecast updated accordingly.
North Essex Parking Partnership (NEPP)	90	-	90	NEPP budgets are ring-fenced and are expected to operate within budget, with any surplus or deficit being transferred to the Decriminalised Parking Reserve at year-end.
<b>Place &amp; Client (incl. CDC)</b>				
Assistant Director Place & Client	1	-	1	Small overspend forecast.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Place Strategy	68	-	68	Overspend forecast on employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (5%). £29.5k Covid spend for business support to Colbea (100%).
Housing	(7)	-	(7)	Underspend forecast due to vacant hours; this will partly offset the vacancy factor for Place Strategy.
Planning	1	-	1	Small overspend forecast.
Sustainability & Climate Change	(10)	-	(10)	Underspend forecast due to vacant hours.
Client - Commercial Company	5	302	307	At the shareholder committee, G&A were presented with information that led to a recommendation to accept a c.£300k reduction to the forecast dividend for 2020/21 in June - that was accepted at Cabinet on 9 July. The forecast of £226k reflects a loss of 90% of the events income, the impact of which has been offset by some savings on furlough, and some delays to capital projects for which CATL receive project management fees at milestones. Assumptions include a gradual return with no events until October and no major events until 2021.
Corporate Asset Management	45	-	45	The overspend relates to work on a Rowan House feasibility study £45k (100%) which commenced earlier this year, prior to lockdown. The position to date reflects various over and underspends as many contractual payments which have and will continue to be paid, regardless of the lockdown. This area will be monitored closely as buildings and services re-open.
Commercial & Investment	50	430	480	Commercial properties have some unbudgeted cost pressures including the one-off cost for the demolition of the United Way cottages £50k which was delayed from 2019/20. Income is forecast to be £430k (13.8%) less than the budget primarily due to the impact of the Coronavirus lockdown and includes a £64k reduction from the Culver Centre following announcements of rent reductions which are indicative of the retail

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				market, and £40k from the Community Stadium. The outturn variance may worsen as the full effects of the Coronavirus are known.
Sport and Leisure	(538)	3,545	3,007	<p>Expenditure savings have been forecast on utility costs of £41k (18.8%) electricity and £37k (16.1%) on gas - these figures include £31.7k energy savings at the CNG site.</p> <p>Employee savings on casual staff have been forecast at £136k (30%), while salaried staff have been forecast at full cost as furlough savings are being shown corporately. Savings on Supplies and Services total £167k (25%).</p> <p>An overall income shortfall of £3.545m (64%) is forecast. This includes a forecast shortfall on Lifestyles £653k (53.2%) Pools £858.4k (71%), Swimming Lessons £342k (69%), Zoggs' sales £83k (65.5%), Fitness &amp; Dryside £206k (59%) Catering £200k (66%), and £61k from the Car Park.</p> <p>Income forecasts to be revised once full list of facilities re-opening on 25th July confirmed. The above figures assume Leisure Pool and Aqua Springs do not re-open until at least October 2020.</p>
<b>Corporate &amp; Improvement (incl. CDC)</b>				
Corporate & Democratic Core	-	150	150	Less income forecast from Council Tax Sharing Agreement (27%).
Finance	136	-	136	Overspends forecast on employee costs due to agency costs to cover vacant posts, which could increase depending how long agency is used for and due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (9%). £66k unbudgeted costs due to the ABS system upgrade (100%).
ICT	80	-	80	Overspend forecast on ICT spend for Microsoft due to increased licences across the organisation (12%) and unbudgeted £40k Covid costs (100%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				Overspends on employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (2%).
People & Performance	(60)	80	20	Underspends forecast across employees due to vacant posts (9%) and purchase of staff transport tickets (50%). Less income forecast from staff car parking due to increased home working in response to Covid-19 (92%).
Governance	12	-	12	Overspend forecast in Health and Safety due to unbudgeted £21k Covid costs (100%) offset slightly on employee costs due to vacant posts (0.8%).
Communications	15	-	15	Overspend forecast on employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (2%). £4k unbudgeted Covid costs (100%).

June 2020	Current Period - June 2020			Forecast Year-End Position		
	Profiled Budget to Period 3	Actual to Period 3	Variance (under) / over	Annual Budget	Projected Outturn	Variance (under) / over
Account Description	£'000	£'000	£'000	£'000	£'000	£'000
<b>HRA - Direct &amp; Non-Direct</b>						
<b>EXPENDITURE</b>						
Employees	48	63	15	167	167	-
Premises Related	1,806	1,422	(384)	6,920	6,920	-
Transport Related	-	-	-			
Supplies & Services	172	122	(50)	1,779	1,779	-
Third Party Payments	1,224	1,220	(4)	3,671	3,671	-
Transfer Payments	49	42	(7)	198	198	-
Support Services	702	702	-	3,970	3,970	-
Capital Financing Costs	-	-	-	14,040	13,947	(93)
<b>TOTAL EXPENDITURE</b>	<b>4,001</b>	<b>3,571</b>	<b>(430)</b>	<b>30,745</b>	<b>30,652</b>	<b>(93)</b>
<b>INCOME</b>						
Other Grants & Reimbursements	(35)	(35)	-	(139)	(139)	-
Customer & Client Receipts	(8,055)	(8,028)	27	(29,885)	(29,792)	93
Income-Interest	-	-	-	(131)	(131)	-
Inter Account Transfers	(14)	(14)	-	(90)	(90)	-
<b>TOTAL INCOME</b>	<b>(8,104)</b>	<b>(8,077)</b>	<b>27</b>	<b>(30,245)</b>	<b>(30,152)</b>	<b>93</b>
<b>TOTAL NET - HRA</b>	<b>(4,103)</b>	<b>(4,506)</b>	<b>(403)</b>	<b>500</b>	<b>500</b>	<b>-</b>

8<sup>th</sup> September 2020

**Report of**

**Assistant Director Corporate and Improvement**

**Author**

**Paul Cook**

**☎ 505861**

**Lily Malone**

**Title**

**Capital Expenditure Monitor 2020/21 – April 2020 to June 2020**

**Wards affected**

Not applicable

**The Committee is invited to review progress on the Capital Programme**

## **1 Executive Summary**

- 1.1 The report addresses the budgetary position of schemes included in the Capital Programme for the first quarter of the financial year
- 1.2 The report also considers budget forecasts for 2020/21 and future years.
- 1.3 This report also gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets and project delivery.

## **2 Recommended Decision**

- 2.1 To note budgetary spend and forecast, and progress on the Capital Programme.

## **3 Background**

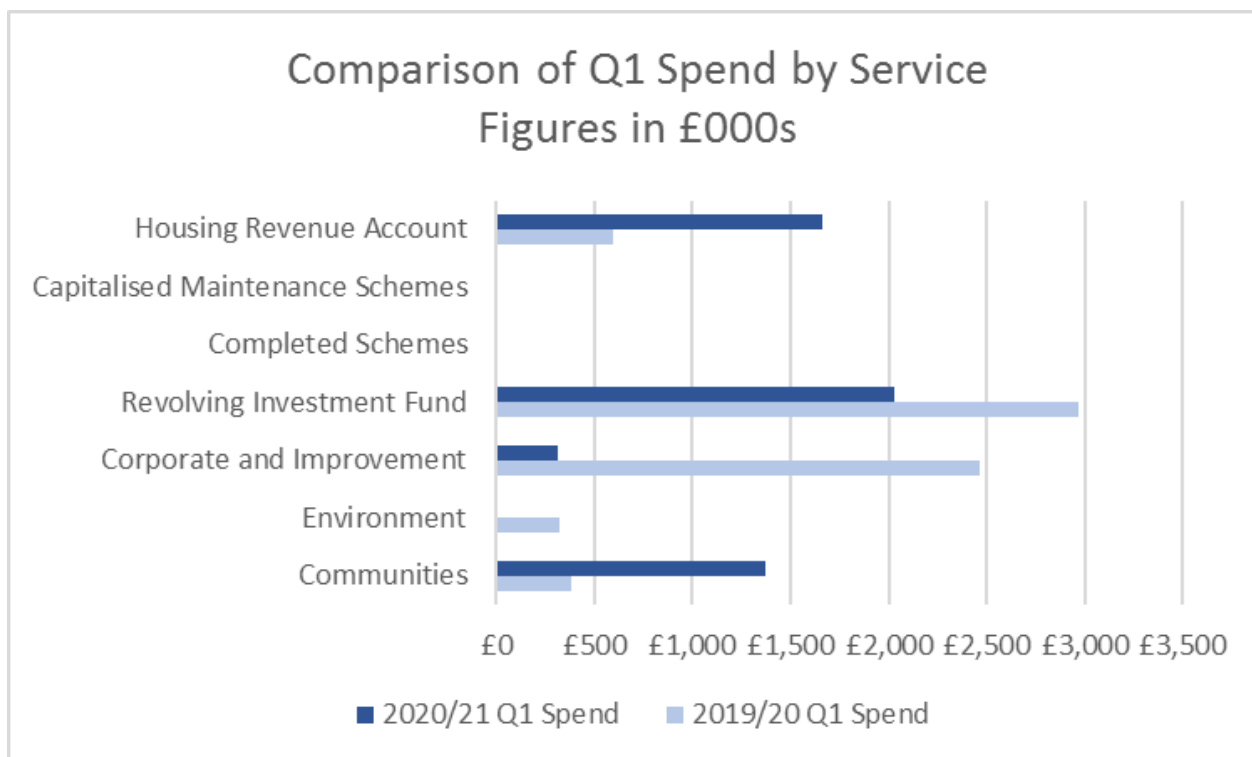
- 3.1 The purpose of the report is to ensure
  - Spending on projects is within agreed scheme budgets,
  - Projects are delivered to the required level to support service delivery objectives within the designated budget, and
  - The Council maximises its available capital resources, supporting the Council's Treasury Management Strategy and associated statutory requirements.
  - Members have assurance that the key risks associated with the capital programme are being managed to ensure efficient and effective delivery of the programme.
- 3.2 There will be a PowerPoint presentation at the Committee to set the overall context of the Capital Programme. This uses Microsoft Power BI analytics, which is the development aim for future monitoring reports, which will then provide more programme management and delivery forecast and status, rather than the prime budgetary focus of this financial report.
- 3.3 The Capital Programme includes project delivering General Fund services and the HRA Housing Investment Programme. It also includes the Revolving Investment Fund (RIF).

- 3.4 It should be noted that the Capital Programme mainly consists of schemes where spending is planned across more than one year. Financial variances on schemes can arise from:
- Reprofiting of scheme budgets into the following financial year to reflect scheme progress on site,
  - Changes in timing of payments
  - Additional budget requirements due to changes in schemes or unforeseen costs.
- 3.5 Any schemes with significant divergences from plans are analysed in the report.
- 3.6 The table below provides a summary of the Capital Programme by service area:

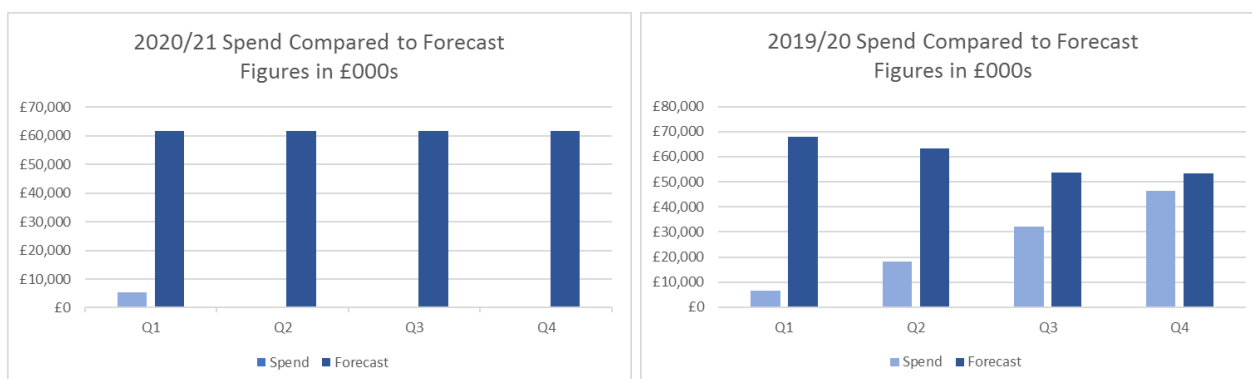
Service	Programme	20/21 Spend Q1	2020/21 Forecast	Future Years Forecast
	£'000	£'000	£'000	£'000
Communities	7,327	1,371	4,010	3,317
Environment	1,561	0	1,561	0
Corporate and Improvement	40,799	309	7,332	33,467
Revolving Investment Fund	18,346	2,030	16,536	1,810
Completed Schemes	87	8	87	0
Capitalised Maintenance Schemes	146	0	146	0
Housing Revenue Account	31,915	1,661	31,915	0
<b>Total Capital Programme</b>	<b>100,181</b>	<b>5,379</b>	<b>61,587</b>	<b>38,594</b>

Below is a comparison of how this year's Quarter 1 spend compared to last year's Quarter 1 spend.



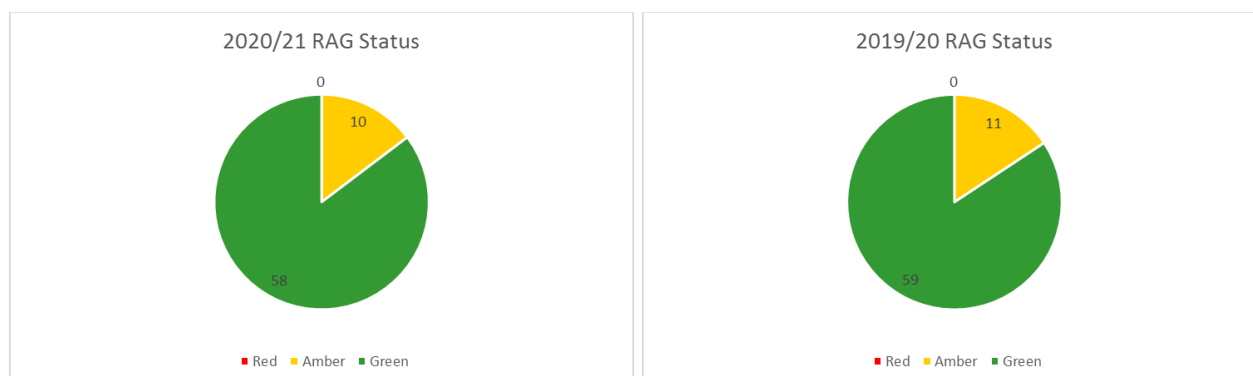


- 3.7 Accrued capital spending for the first three months of the year totalled £5.4 million or 9% of the projected spend when compared to the £61.6m spend forecast (£6.7m or 10% in 2019/20). The spend has been impacted by the effects of lockdown. The full implications of Covid 19 are being assessed on a scheme by scheme basis.
- 3.8 **Appendix A** sets out details of spending on schemes of £100k or more, along with expenditure forecasts provided by budget managers to provide an indication of progress against their expectations for schemes in monetary terms.
- 3.9 Below is a comparison of the overall quarterly spend compared to last financial year.



- 3.10 The Capital Programme has been adjusted to reflect the 2019/20 capital outturn and has been increased by £27m. The main increases are £25.7m for the 2020/21 Housing Investment Programme and £1.3m for Disabled Facilities Grants supported by the 2020/21 Government capital grant.
- 3.11 The most significant areas of planned expenditure for the year are detailed in **Appendix A**, along with the actual expenditure and updated commentary from budget holders.
- 3.12 **Appendix A** includes a RAG (Red, Amber, and Green) status of overall project performance against capital schemes. Although there are no 'Red' schemes, a total of eleven schemes were classed as 'Amber' by the budget managers.

- 3.13 The current position against these schemes is detailed in **Appendix A** to this report. There was only one change in the RAG status from Green to Amber from the status as reported at the end of quarter 4 2019/20. This was additional cost to the Jack's listed building in St Nicholas Square, reflecting the difficulty and complexity of the project.
- 3.14 Please see the below the number of Amber schemes in Q1 2020/21 compared to Q4 2019/20.



## 4 Strategic Plan references

- 4.1 The Council's Capital Programme is aligned to the Strategic Plan.

## 5 Financial Implications

- 5.1 Within the details of this report.

## 6 Risk management implications

- 6.1 Risk management issues are considered as part of individual capital projects. Currently the key risk within the capital programme as reported relates to the finalisation of funding arrangements to enable key schemes primarily within the RIF to progress. Relevant officers are endeavouring to formalise funding arrangements where necessary. The position is being continuously monitored.

## 7 Consultation

- 7.1 The annual addition of new schemes to the Capital Programme as part of budget setting is subject to the normal budget consultation.

## 8 Environmental and Climate Change Implications

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

## 9 Equality and Diversity Implications

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

## 10 Other Standard References

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

**Background papers - None**

## Appendix A

	Total Programme £'000	Accrued spend to Q1 £'000	Forecast 2020/21 £'000	Spend against forecast %	Forecast 2021/22 £'000	Forecast 2022/23 £'000	Forecast 2023/24 £'000	RAG Status Current
Lending to new Council Housing Company	28,400	200	1,400	14%	7,500	19,500	0	Amber
Housing Improvement Programme	8,747	-82	8,747	-1%	0	0	0	Green
Purchase of properties - HRA	7,492	1,647	7,492	22%	0	0	0	Green
CNGN - Sports Park	7,078	1,414	6,664	21%	414	0	0	Amber
Council House New Build	7,009	131	7,009	2%	0	0	0	Amber
New Build on Garage Sites	6,974	-31	6,974	0%	0	0	0	Amber
Equity Investment in CCHL	5,800	0	300	0%	5,500	0	0	Amber
CNGS (Including The Walk)	5,161	67	4,991	1%	170	0	0	Green
Mandatory Disabled Facilities Grants	3,994	110	750	15%	1,280	1,280	684	Amber
Colchester Northern Gateway Heat Network	3,896	6	3,896	0%	0	0	0	Green
Digital Strategy - works	3,186	434	3,186	14%	0	0	0	Green
Mercury Theatre Redevelopment Phase 2	2,892	1,234	2,892	43%	0	0	0	Amber
Town Centre	2,099	12	964	1%	1,135	0	0	Amber
Facility Loan to CAEL	1,620	100	700	14%	500	420	0	Green
Shrub End Depot	1,012	0	1,012	0%	0	0	0	Amber
Sheltered Accommodation	740	0	740	0%	0	0	0	Green
Adaptations to Housing Stock	696	-28	696	-4%	0	0	0	Green
Grants to Registered Providers (1-4-1 RTB Receipts Funded)	447	0	447	0%	0	0	0	Green
CCTV Monitoring	352	0	352	0%	0	0	0	Green
Waste Fleet Vehicles	265	0	265	0%	0	0	0	Green
Housing ICT Development	257	24	257	9%	0	0	0	Green
Pre-development and feasibility funds	250	0	250	0%	0	0	0	Green
Private Sector Renewals - Loans and Grants	178	5	105	5%	73	0	0	Green
East Colchester Enabling Fund	141	0	141	0%	0	0	0	Green

Castle Park Cricket Pavilion Extension S106	125	0	125	0%	0	0	0	Green
Sport & Leisure Asset Review	120	0	60	0%	60	0	0	Green
St Botolph's Public Realm	118	0	118	0%	0	0	0	Green
Local Authority Carbon Management (LACM) - Car Park LED lighting	116	0	116	0%	0	0	0	Green
Colchester Leisure World - Roof	103	0	103	0%	0	0	0	Green
Other	935	65	857	8%	78	0	0	Green
Jacks - St Nicholas St	-22	71	-93	N/A	0	0	0	Amber

#### Comments on amber rated schemes:

##### Lending to Housing Company

The comments below apply also to the later row equity investment in CCHL.

**Timing:** Creffield Road gained permission in 2019 and completed a land transfer on 27 February 2020. The site is on course to start construction soon and complete in March 2021.

The other two sites in the programme will be delivered but the advances will be made mainly in 2021/22. The Council will gain dividend income from the house sales as the schemes roll forward.

There are delays in the determination of the Northern Gateway South planning application which includes the Mill Road housing site. There is an expectation to build 350 (105 affordable, 245 private) houses at Mill Road.

At St Runwald Street the initial scheme has been revised but still needs to navigate the planning process prior to any land disposal and related equity investment.

**Cost:** Remains on budget.

**Complexity:** High due to the intrinsic links to the wider Northern Gateway and traffic modelling for this whole growth area.

##### Colchester Northern Gateway North

**Timing:** There was a target Sports Park completion of May 2020. The estimated practical completion is now October 2020.

**Cost:** Work ongoing with funders to meet funding criteria and with end users of the completed Sports Hub facility.

**Complexity:** There have been social distancing, and lock-down delays to project and an agreed variation to project, to the Sports Park building which is now having a balcony built that has also delayed completion.

<b>HRA – Council House New Build</b>
<b>Timing:</b> Works across the sites are due to commence from September 2020
<b>Cost:</b> No variations to report
<b>Complexity:</b> Works will carry into 2021/22
<b>New Build on Garage Sites</b>
<b>Timing:</b> Construction planned for September and October 2020
<b>Cost:</b> No variations to report
<b>Complexity:</b> 3 of the 5 sites have planning permission
<b>Equity Investment in CCHL (CBC investment in Colchester Commercial Holdings Limited)</b>
<b>Timing:</b> see comment on Lending to Housing Company
<b>Cost:</b> see comment on Lending to Housing Company
<b>Complexity:</b> see comment on Lending to Housing Company
<b>Mandatory Disabled Facilities Grants</b>
<p><b>Timing:</b> Covid19 has resulted in all contractors undertaking DFG works ceasing from the end of March 2020. Some works have since recommenced with the relaxation of restrictions, with the agreement of applicants.</p> <p>The DFG Team has no control over contractors recommencing works, or whether applicants will allow works to start.</p> <p>The Team has continued to progress applications remotely with new processes to enable this. Interim payments have been made where justified in order to support contractors.</p> <p>The Team has kept in close contact with applicants, many of whom are in high risk categories and shielding due to their vulnerability.</p> <p><b>Cost:</b> The grant funding is ringfenced to this purpose. Committed spend is £585k. This includes £293k committed since lockdown came into force.</p> <p>Spend is lower than anticipated due to the pandemic. This is mirrored across the county and country in terms of DFG.</p> <p>As we have continued to process applications remotely, applicants in the borough are at a stage where many of them can now liaise with contractors around start dates.</p>

**Complexity:** Preparation is underway for migration to Northgate. This new system will bring efficiencies in grant processing and officer time. Systems implementation will coincide with an increase in demand for new DFG applications, as people are assessed by adult social care following prolonged periods of isolation and inactivity.

The Team has continued to support complex hospital and care setting discharge and has completed 3 Fast-Track DFG's since lockdown commenced, in conjunction with the Senior OT in Housing.

CV19 Recovery Planning has commenced and will incorporate working with Social Care to support the most vulnerable applicants.

### **Mercury Theatre Redevelopment Phase 2**

**Timing:** Practical completion is estimated for December 2020

**Cost:** Driven by social distancing constraints and pandemic effects completion has been delayed and additional costs have arisen, to be scoped so there is a significant risk that the scheme will overspend. However additional funding is being sought to cover this.

**Complexity:** Works will continue with progress being monitored

### **Town Centre**

**Timing:** The programme will be delivered with the majority of the spend in 2020/21.

**Cost and complexity:** No new issues

### **Shrub End Depot**

**Timing:** There has been delays due to Covid.

**Cost:** No variations to report

**Complexity:** The project has been delayed. A review of scheme requirements is needed due to the impact of Covid on operations and lessons learnt

### **Jack's – St Nicholas Square**

**Timing:** Project has completed with a new tenant.

**Cost:** There is a overspend of £90k to the end of Q1 which will increase to approximately £120k Q2 once the retention money is paid.

**Complexity:** The project has been exceptionally complex but is now complete. It is expected that any overspend can be met by virement.





8 September 2020

<b>Report of</b>	<b>Assistant Director of Corporate &amp; Improvement Services</b>	<b>Author</b>	<b>Hayley McGrath</b> ☎ 508902
<b>Title</b>	<b>2019/20 Year End Review of Risk Management</b>		
<b>Wards affected</b>	Not applicable		

## 1. Executive Summary

- 1.1 This report provides members with an overview of the Council's risk management activity undertaken during the financial year from 01 April 2019 to 31 March 2020.
- 1.2 Effective management of risk is essential to ensuring that the Council's aims and objectives are achieved. The Council has therefore approved a Risk Management Strategy, which is included in the policy framework. This provides a comprehensive risk management process that is embedded across the organisation and includes a strategic risk register (which is the responsibility of the senior management team), operational risk registers which are produced by each service, project risk monitoring and specific risk mitigation initiatives.
- 1.3 The Risk Management strategy and processes are reviewed annually to ensure that they are still appropriate to the Council's needs and continue to be effective in identifying and mitigating risks to its aims and objectives.
- 1.4 Towards the end of the 2019/20 financial year the impacts of the Covid-19 pandemic began to be managed by the Council with its partners and this situation has prompted a further review of the strategic risk register (Appendix 1).
- 1.5 The key strategic risks are:
  - Budget Strategy
  - Covid-19 Pandemic
  - Spending Power
  - Compliance
  - Staff Resources
  - EU Transition
  - Data Protection
  - Cyber Security

## 2. Recommended Decision

- 2.1 Consider and comment on the Council's progress and performance in managing risk during the period from April 19 to March 2020.
- 2.2 Consider and comment on the current strategic risk register.
- 2.3 Consider and comment on the proposed risk management strategy for 2020/21.

- 2.4 Endorse the submission of this report to Cabinet to approve the risk management strategy for 2020/21

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

- 3.1 The Risk Management Strategy, which forms part of the policy framework, identifies the Governance and Audit Committee as being responsible for reviewing the effectiveness of the risk management process and reporting progress to Cabinet at least annually.
- 3.2 As part of the Policy Framework, any changes and reviews of the strategy need to be approved by Cabinet and ratified by Full Council.

### **4. Alternative Options**

- 4.1 There are no alternative options to consider

### **5. Background Information**

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

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

- 6.1 There were no fundamental changes to the risk management function, or the processes used to identify and control risk, during 2019/20.
- 6.2 The review of risk processes, reported to this committee in January 2020, has continued. The review is concentrating on how the risk registers are compiled, how mitigation actions are reflected in scores and potentially moving to more interactive on-line registers. The revised format for the risk registers has been used for the strategic register attached to this report, and it can be seen that both pre action and post mitigation (residual) ratings are given for each risk.
- 6.3 Work has continued to develop the insurance and risk programmes for Colchester Commercial (Holdings) Limited, to ensure that emerging commercial risks are appropriately managed.

- 6.4 Support continues to be provided, reviewing the risk elements of event plans, to both the Colchester, and the Community Stadium, Safety Advisory Groups.
- 6.5 The risk registers for the Joint Museum Service and the North Essex Parking Partnership both continue to be produced and reported to the joint committees.

## **7 Strategic Risk Register**

- 7.1 During 2019/20 the strategic risk register was reviewed by the senior management team every quarter and reported to the Governance & Audit Committee every six months. The current register is shown at appendix 1.
- 7.2 For the majority of 2019/20 the Council's strategic risks were consistent. The United Kingdoms' exit from the European Union, security of data and Council finances being key areas of concern.
- 7.3 A review of strategic risks during the year also identified several areas where risks could be removed or substantially reduced, as there had been no indication of this risk materialising in the near future, to ensure the risk register was focussed on priority risks.
- 7.4 During January and February, the Senior Management Team reviewed the Council's strategic risks, business continuity plans and Flu Pandemic plan in light of emerging information about Coronavirus (Covid-19) and to ensure the register was fit for purpose.
- 7.5 At the very end of the financial year the Council responded promptly to the combined impacts of the Coronavirus pandemic, associated economic lockdown and sector-specific guidance affecting operational activities. Consequently, several of the Council's strategic risks became live issues and the likelihood of lower rated risks materialising increased. Whilst the pandemic is itself now a clear ongoing risk to the Council, our customers, communities and businesses, the situation has also increased the level of other risks associated with income generation and service delivery.
- 7.6 The strategic risk register has been revised to reflect the key areas of concern, and the Council's recovery strands, along with the addition of a specific Covid-19 risk.
- 7.7 The risk register will need to be further refined over the coming months, as the medium/long term impacts of the pandemic become clearer. The Council's internal auditors have been asked to assist with this process and they will be working with the Corporate Governance Manager to carry out a full review of the risk management framework. The results of the review will be reported to this committee later in the municipal year.

## **8. Risk Management Strategy for 2020/21**

- 8.1 The Council's current approach to managing risk was introduced in 2006/07. A requirement within the strategy, and also of the annual audit assessment, is to review the approach each year to ensure that it is still appropriate to the Council's needs.
- 8.2 Many of the mitigating activities identified, and implemented, in the Council's risk strategy and Strategic Risk Register have been central to the organisation, with its partners, coping with and responding to the impacts of Covid-19 and recovery. For example, strong partnership working, effective communications and prudent financial management. The early review of business continuity plans enabled the Senior

Management Team to have confidence in the implementation of urgent operational decisions throughout the Pandemic.

- 8.3 A review has been undertaken and the strategy has been updated for 2020/21. The revised strategy is attached at appendix 2. There are no changes proposed to the risk process at this stage, with amendments only to external review comments and the updating of external guidance references. The strategy will be reviewed again as part of the work undertaken by the Council's internal auditors mentioned at paragraph 7.7.

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

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

## **10. Strategic Plan References**

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

## **11. Risk Management Implications**

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

## **12. Environmental and Sustainability Implications**

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

## **13. Other Standard References**

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

## **Appendices**

Appendix 1 – The strategic risk register

Appendix 2 – Risk Management Strategy for 2020/21

**Colchester Borough Council Strategic Risk Register**  
**AUGUST 2020**

				Initial Score							Residual Score		
Ref	Risk Title	Description	Strategic / Recovery Strand	P	I	O	RATING	Consequences	Mitigation	Lead	P	I	O
PR1	Budget Strategy	Inability to deliver the budget strategy as planned, particularly in light of the Covid-19 pandemic, economic lockdown and consequent additional risks to the Council's budget position.	Priorities	4	5	20	Very High	Service delivery failure Financial and reputational loss by the Authority .Personal liability of Officers and Members Legal actions against the Council. Loss of stakeholder confidence in the Borough. Inability to sustain costs. Failure to deliver balanced budget as planned. A need to use balances / reserves or to adapt financial plans to deal with impact of changes. Required to use Reserves & Resources to fund capital priorities or revenue deficits. Severe impact on cash-flow leading to negative effect on performance targets.	Ensure effective use of the controls built into the annual budget strategy, to enable the organisation to respond quickly to changes. Regular monitoring of actual spend/income and sensitivity analysis to consider the impact on income streams and the capacity of the organisation to deliver services. Regular and open reporting and updating of the budget position through Cabinet and to Members and Staff, early commencement of 2020/21 budget process to identify savings and achieve a sustainable budget position. Further lobbying of central government to cover losses. Covid-secure operations to enable income-earning services to restart as early as possible.	Chief Operating Officer	3	5	15
ST4	Covid-19 Pandemic	Ongoing impacts of the Covid-19 pandemic on the council, the communities, our customers and the economy.	Strategic	5	4	20	Very High	Ongoing impacts of the Covid-19 pandemic including service and staff resilience and shortages, additional service pressures, short term changes in policy and alert status disrupting delivery of strategic priorities, impacts on service delivery with additional cost pressures and potentially reduced income levels alongside additional work to support recovery and increased demand for services brought about by increasing inequalities, job losses and higher levels of poverty.	Implementation of the Covid-19 recovery programme, monitored and shared with staff, members and partners.This covers Council, Community, Customer and Economic response and recovery and the actions/resources required to enable the Council to respond to them. Delivery of the revised Strategic Plan which incorporate recovery objectives and additional burdens (e.g. outbreak controls). Working with system leaders to ensure a joined up approach and specifically maximising the potential value from Health Alliance, One Colchester and LDP to deliver positive outcomes and support the most vulnerable across Colchester. Likewise the Business partnerships, BID, Towns Fund etc to	Chief Operating Officer	5	3	15
ST2	Spending Power	Changes in national policy, in part due to impacts of Covid-19, may impact on public funding, including that of our partners e.g. Fair Funding Review, Business Rates Retention, Local Government Reorganisation.	Strategic	4	4	16	Very High	If not properly managed then either the Council could lose the opportunity to develop further or may have enforced changes to service delivery. Adverse impact on local residents / resources. Missed opportunities to boost local economy. Conflict between Council / Government agendas. Reduction in levels of service provision and potential withdrawal of services.	Maintain a constant review of the budget situation, incl impact of decisions from central government. Identify additional actions and areas for spending as necessary. Partnership working (as per ST4) and external funding put CBC in a better position to weather any storm but also mean we are building relationships and working with key partners locally so networks are place regardless of any reorganisation.	Chief Operating Officer	4	3	12

				Initial Score							Residual Score		
Ref	Risk Title	Description	Strategic / Recovery Strand	P	I	O	RATING	Consequences	Mitigation	Lead	P	I	O
SP4	Compliance	Failure to protect public funds and resources – ineffective probity / monitoring systems/legislative breaches. Especially as a result of the rapid changes in service delivery required to respond to the impacts of Covid-19	Service Provision	4	4	16	Very High	Service delivery failure. Financial and reputational loss by the Authority. Personal liability of Officers and Members. Legal actions against the Council. Loss of stakeholder confidence in the Borough. Inability to sustain costs. Failure to deliver balanced budget as planned. A need to use balances / reserves or to adapt financial plans to deal with impact of changes. Required to use Reserves & Resources to fund capital priorities. Severe impact on cash-flow leading to negative effect on performance targets.	Ensure the outcomes of the assurance systems that form the internal control environment, (including Internal Audit, Risk Management, Budget process, Corporate Governance and performance management) are appropriately reported so that issues and concerns are managed, and variances are spotted at an early stage. Horizon scanning upcoming legislative / policy changes	Chief Operating Officer	3	4	12
SP2	Staff Resources	Staff shortages due to an inability to recruit and / or staff sickness or absence due to Covid-19 isolation.	Service Provision	5	3	15	Very High	Decline in service performance. Disengaged and demotivated staff. Efficiency and productivity reduction. Inability to meet changing requirements and needs. Customer perceptions decline as we deliver less. Loss of key staff	Communicate job opportunities and benefits of working at CBC clearly and imaginatively. Review opportunities to do things differently for key posts including considering the value of trading companies.	Assistant Director, Corporate & Improvement	4	3	12
ST1	EU Exit	The agreement to the UK Withdrawal Agreement by both the EU and the UK parliament potentially provides a managed withdrawal from the European Union but a large number of uncertainties remain. A 'no deal exit' could still happen at the end of 2020, following the end of the transition period, if no new trade deal is agreed between the UK and the EU. There are different potential risks depending on the agreed exit arrangements.	Strategic	4	4	16	Very High	The impacts of any EU exit will depend on a number of factors over time and the immediate implications of the withdrawal agreement. A 'No Deal' or disorderly EU Exit could impact on the macro and local economy including CBC commercial income and local businesses. There may be disruption to the Council's supply chains, legal uncertainty, and a negative impact on community wellbeing.	Continue to monitor the Government's announcements on the implications of the exit from the EU, including the potential implications of a 'no deal' Brexit. Participate fully in Essex Resilience Forum activity and exercises, complete all reporting to ERF and MHCLG, support communications to residents and businesses	Chief Operating Officer	3	4	12
SP1	Data Protection	Sensitive data, in any format, is not correctly managed, processed or protected from loss or theft in line with GDPR and Data Protection Act requirements.	Service Provision	4	5	20	Very High	Potentially severe disruption to core services and/or data theft, with financial, legal and reputational impacts for the Council, and potentially significant harm caused to residents from any breach, potential financial losses, directly or indirectly e.g. ICO fines.	Ongoing review of data security policies and protocols to ensure that they are fit for purpose and implement a training program for all staff. ICT strategy delivering more secure, cloud-based solutions and replacing legacy systems.	Chief Operating Officer	2	5	10
SP3	Cyber Security	The Council suffers a successful cyber attack on its computer systems.	Service Provision	3	5	15	Very High	Potentially severe disruption to core services, with financial, legal and reputational impacts for the Council, and potentially significant harm caused to residents.	Ongoing review of IT policies and protocols to ensure that they are fit for purpose and implement a training program for all staff. ICT strategy delivering more secure, cloud-based solutions and replacing legacy systems.	Assistant Director, Corporate & Improvement	2	5	10



				Initial Score							Residual Score		
Ref	Risk Title	Description	Strategic / Recovery Strand	P	I	O	RATING	Consequences	Mitigation	Lead	P	I	O
CO3	Universal Credit	Impact of the implementation of Universal Credit in Colchester could lead to additional work for CBC to help customers apply for the new single benefit. There will be a transition period whereby residents move to the new application which could be difficult for some of our more vulnerable customers. The future impacts of Covid-19 are likely to increase the	Community	3	4	12	High	The Council fails to support our most vulnerable residents leading to an increase in crisis intervention.	Regularly monitor the impact of the resources allocated to the welfare reform project, to ensure that customers are supported with signposting to appropriate providers/partners. Additional monitoring to understand impacts post Covid-19 may help to reduce the residual score.	Strategic Director, Customers and Relations	3	3	9
CO1	Partnership Delivery	Failure or inappropriate performance management of one or more strategic partnerships or key contracts E.g. Haven Gateway, LEP, ICS, CBH, Emergency Services	Community	4	4	16	Very High	The cost of service delivery is increased however quality decreases. Failure to deliver key priorities. Reputational and financial loss by the Authority. Failure to deliver expected outcomes through partnerships. Requirement to repay external funding granted to partnership – taking on the liabilities of the ‘withdrawn’ partner. External assessment of the Councils partnerships are critical and score poorly.	Review the assessment process for proposed strategic partnerships (to ensure that they will satisfy the Council’s objectives) that needs to be signed off by EMT before commitment to new partnerships is made.	Strategic Director, Customers and Relations	3	3	9
ST3	Partnership Commitment	Change of direction / policy within key partner organisation and they revise input / withdraw from projects. Increased risk due to partners having to review service provision in response to the impacts of Covid-19 on their business.	Strategic	4	3	12	High	The cost of service delivery is increased however quality decreases. Failure to deliver key priorities. Reputational and financial loss by the Authority. Failure to deliver expected outcomes through partnerships. Requirement to repay external funding granted to partnership – taking on the liabilities of the ‘withdrawn’ partner. External assessment of the Councils partnerships are critical and score poorly.	Set a formal relationship / performance review process to be used by all partnerships and ensure results are reported to senior management. Ensure that Exec Board and Leadership review partnerships on a regular basis. Embed Scrutiny Cttee process for key partnerships including CBH and the Safer Colchester Partnership.	Strategic Director, Customers and Relations & Strategic Director, Policy & Place	3	3	9
CO2	CBC Function	The expectation remains that the Council will step in to deliver services when other providers either fail or reduce service provision	Community	4	3	12	High	The Council suffers from a loss of reputation as customers’ expectations are not met. There is increased demand on existing services leading to a reduction in standards of delivery.	Ensure that Cabinet set a clear and consistent message about the role of CBC for customers and partners.	Strategic Director, Customers and Relations	3	3	9
CM1	Service Innovation	Not taking or creating opportunities to maximise the efficient delivery of services through shared provision, partnerships or commercial delivery	Commercial	4	3	12	High	If not properly managed then either the Council could lose the opportunity to develop further or may have enforced changes to service delivery. Adverse impact on local residents / resources. Missed opportunities to boost local economy. Conflict between Council / Government agendas. Reduction in levels of service provision and potential withdrawal of services.	Identify and maintain skill set required to meet future challenges, maintain partnership relationships	Strategic Director, Policy & Place	3	3	9
OP1	ICT	Major system failure causing significant service disruption	Operational	3	5	15	Very High	The rapid change in the use of technology in the first half of the year, and increasing reliance on IT to continue normal business leaves the Council vulnerable to system failures.	Ensure that the ICT Disaster Recovery plan, and service plans, adequately reflect the organisation’s requirements and provide an effective framework for maintaining service provision. Regularly review the ICT development strategy to ensure it continues to support the organisations ambitions and provides appropriate safeguards for ICT service delivery, delivering modern cloud-based solutions and replacing legacy systems.	Assistant Director, Corporate & Improvement	2	4	8

				Initial Score							Residual Score		
Ref	Risk Title	Description	Strategic / Recovery Strand	P	I	O	RATING	Consequences	Mitigation	Lead	P	I	O
CO4	Partnership Performance	Potential inability to agree shared outcomes/agendas with partners and the Council's ability to influence partner's performance.	Communities	3	4	12	High	The cost of service delivery is increased however quality decreases. Failure to deliver key priorities. Reputational and financial loss by the Authority. Failure to deliver expected outcomes through partnerships. Requirement to repay external funding granted to partnership – taking on the liabilities of the 'withdrawn' partner. External assessment of the Councils partnerships are critical and score poorly.	Review the assessment process for proposed strategic partnerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT before commitment to new partnerships is made.	Strategic Director, Customers and Relations	2	4	8
SP5	Staff Wellbeing	Staff wellbeing or motivation declines with an impact on service delivery and resilience.	Service Provision	3	4	12	High	Decline in service performance. Disengaged and demotivated staff. Efficiency and productivity reduction Inability to meet changing requirements and needs Customer perceptions decline as we deliver less. Loss of key staff	Monitor staff morale and trends using staff surveys and by monitoring the People Dashboard; and ensure good communications with staff, exploiting new technologies such as Yammer. Implement the action plan for the People Strategy; ensuring that performance is regularly monitored. Regularly report the progress of the learning and development strategy, including financial considerations and business	Assistant Director, Corporate & Improvement	2	3	6
SP6	Customer Confrontation	There is an increase in challenging behaviour from customers, towards officers, when the Council cannot meet the customer's expectations. Alongside partners being unable to provide support or having incorrectly signposted the customer to the Council.	Service Provision	3	3	9	Medium	Officers suffer potential mental and physical issues as a result of confrontations. The ability to assist the customer is reduced. Service delivery declines	Ensure that the Health & Safety reporting process is used to record instances of violence and aggression, with regular reporting to senior management. Develop an on-line training tool for staff, for managing difficult situations. Liaise with partners, such as Police and health, about expectations for vulnerable customers. Both in terms of emergency response to issues and services that the Council can, and cannot, provide.	Strategic Director, Customers and Relations	3	2	6
EF1	Capacity	Over reliance on a limited number of people limits ability to deliver our ambition.	Efficiency	3	3	9	Medium	The Borough Council loses its status and influencing ability at sub-regional, regional and national levels.	Manage the recruitment and development processes to ensure that the organisation has the appropriate skills and expertise.	Chief Executive	3	2	6
CO5	Equality & Diversity	The Council fails to effectively engage with all sectors of the community.	Community	3	3	9	Medium	Service delivery does not meet the needs of all sectors and minority groups are not reflected in the workforce leading to a lack of challenge and change. A failure to demonstrate diversity in the workforce, and effective cross sector engagement, can have a negative impact on external assessment processes, including grant funding, as assessors are placing increasing importance on equality and diversity.	Implementation of a clear commitment to providing opportunities to all sectors of the community. That includes internal processes, such as using best practice for encouraging more diverse applications to all vacancies and identifying external opportunities to encourage minority and diverse sectors to engage with the Council. Annual reporting on E&D activities to Governance Committee to review and comment. Data retained on staffing diversity and Diversity Officer Panel being set up in one Service area to work alongside existing Diversity Steering Group to review ongoing recruitment; data; Equality Impact Assessments; Customer Accessibility. Recent review of Covid-19 impacts on BAME Community and learning to inform future planning.	Strategic Director, Customers and Relations	2	3	6



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

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



# Risk Management Strategy 2020/21

**A guide to the Council's approach to managing risk. Draft for Council approval 21 October 2020.**

## **RISK MANAGEMENT STRATEGY**

*This document outlines the Council's commitment to managing risk in an effective and appropriate manner. It is intended to be used as the framework for delivery of the Risk Management function and provides guidance to ensure management of risk is a routine process for all services.*

## **INTRODUCTION**

Strategy will ensure that:

1. The management of risk contributes towards ensuring effective service delivery and the achievement of the Council's strategic objectives.
2. Members and the Senior Management Team own, lead and support on risk management.
3. Ownership and accountability are clearly assigned for the management of risks throughout the Council.
4. There is a commitment to embedding risk management into the Council's culture and organisational processes, at all levels, including strategic, programme, project and operational
5. All members and officers acknowledge and understand the importance of risk management as a good governance process, by which key risks and opportunities are identified, evaluated and managed.
6. Effective monitoring and reporting mechanisms are in place to continuously review the Council's exposure to, and management of, risks and opportunities.
7. Best practice systems for managing risk are used throughout the Council, including mechanisms for monitoring and reviewing effectiveness against agreed standards and targets.
8. Accountability to stakeholders is fully demonstrated through periodic progress reports and an annual statement on the effectiveness of and the added value (benefits) from the Council's risk management strategy, framework and processes.
9. Where possible the Council's approach is regularly assessed by an external, independent body against other public sector organisations, national standards and Best Practice.
10. The Risk Management Strategy is reviewed and updated annually in line with the Council's developing needs and requirements.

**Endorsement by Adrian Pritchard, Chief Executive**

*“Colchester Borough Council is committed to ensuring that risks to the effective delivery of its services and achievement of its overall objectives are properly and adequately controlled. It is recognised that effective management of risk will enable the Council to maximise its opportunities and enhance the value of services it provides to the community. Colchester Borough Council expects all officers and members to have due regard for risk when carrying out their duties.”*

A handwritten signature in black ink that reads "A. R. Pritchard." The signature is fluid and cursive, with a long, sweeping underline that extends to the right.**WHAT IS RISK MANAGEMENT**

Risk Management is the control of business risks in a manner consistent with the principles of economy, efficiency and effectiveness. It is an essential performance management process to ensure that both the long- and short-term objectives of the Council are achieved and that opportunities are fully maximised.

Risk Management is not about eliminating risk, as this would limit the ability of the organisation to develop and deliver its ambitions. Its purpose is to recognise the issues that could affect the achievement of objectives and develop actions to control, or reduce, those risks. Acknowledgement of potential problems and preparing for them is an essential element to successfully delivering any service or project. Good management of risk will enable the Council to rapidly respond to change and develop innovative responses to challenges and opportunities.

The ‘Delivering Good Governance in Local Government’ 2016 framework, jointly issued by The Chartered Institute of Public Finance & Accountancy and the Society of Local Authority Chief states that there are seven core principles of good governance including ‘Managing risks and performance through robust internal control and strong public financial management’. The document goes on to state ‘Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.’

## **BACKGROUND**

A process for managing risks was first adopted by the Council in 2003 and since then has been developed to ensure that it continues to be an effective management system. This strategy defines Colchester Borough Council's definition of risk and the processes to be followed.

In broad terms risks are split into three categories:

- Strategic – those risks relating to the long-term goals of the Council.
- Operational – risks related to the day-to-day operation of each individual service.
- Project – consideration of the risks occurring as a result of the Council's involvement in specific initiatives.

The following are some of the practical ways that risks are managed and how effectiveness is measured:

- Provision of a comprehensive strategic register, that is regularly reviewed.
- Provision of operational risk registers for all service areas.
- Consideration of risk in Committee reports.
- Development of a comprehensive risk register for the project management programme and consideration of risk as a project management tool.
- Successful internal and external assessment.
- Provision of advice to other authorities regarding our management of risk.

This has led to a practical and workable approach to managing risk, which has resulted in the Council becoming more risk aware and actually taking more risks, as demonstrated by the comprehensive project risk register. Colchester is also highly regarded for managing risk by both our insurers and other authorities.

The 2018/19 internal audit of risk management gave a substantial assurance opinion. Six recommendations were raised during the audit relating to embedding the risk management process in Colchester Commercial Holdings Company Ltd, development of e-learning and reporting of operational risk registers.

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## OWNERSHIP

The responsibility to manage risk rests with every member and officer of the Council however it is essential that there is a clearly defined structure for the co-ordination and review of risk information and ownership of the process.

Appendix 3 is from the CIPFA/SOLACE risk management guide, Chance or Choice. It is a generic map of responsibility for each part of the risk management process.

The following defines the responsibility for the risk management process at Colchester:

**Cabinet** – Overall ownership of the risk management process and endorsement of the strategic direction of risk management.

**Portfolio Holder for Business and Resources** – Lead Member for the risk management process

**Governance and Audit Committee** – Responsible for reviewing the effectiveness of the risk management process and reporting critical items to Cabinet as necessary.

**Performance Management Board (PMB)** – Ownership of the strategic risks and overview of the operational risks. Actively support the Risk Management Strategy and framework.

**Chief Operating Officer** – Lead officer for the risk management process, demonstrating commitment to manage risk.

**Assistant Director Corporate and Improvement Services** – Responsible for co-ordination of the risk management process, co-ordinating and preparing reports and providing advice and support.

**All Assistant Directors** – Ownership, control and reporting of their service's operational risks. Contribute to the development of a risk management culture in their teams.

**All Employees** – To understand and to take ownership of the need to identify, assess, and help manage risk in their individual areas of responsibility. Bringing to the management's attention at the earliest opportunity details of any emerging risks that may adversely impact on service delivery.

**Internal Audit, External Audit and other Review Bodies** – Annual review and report on the Council's arrangements for managing risk throughout the Council, having regard to statutory requirements and best practice. Assurance on the effectiveness of risk management and the control environment.

## AIMS & OBJECTIVES

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

**The risk management objectives** of Colchester Borough Council are to:

- Integrate risk management into the culture of the Council
- Ensure that there are strong and identifiable links between managing risk and all other management and performance processes.
- Manage risk in accordance with best practice
- Anticipate and respond to changing social, environmental and legislative requirements
- Prevent injury, damage and losses and reduce the cost of risk
- Raise awareness of the need for risk management by all those connected with the Council's delivery of services.
- Ensure that opportunities are properly maximised through the control of risk.
- Reduce duplication between services in managing overlapping risks and promote 'best practise'.

## STRATEGIC RISK MANAGEMENT

Strategic risks are essentially those that threaten the long-term goals of the Council and therefore are mainly based around meeting the objectives of the Strategic Plan. They may also represent developing issues that have the potential to fundamentally effect service provision, such as proposals to dramatically change the corporate assessment process.

Strategic risks will be controlled using a register that will detail the risks and associated controls. The register will be owned by the Senior Management Team, with ownership for risks being assigned to individual officers, and will be reviewed every quarter. The strategic risks will be reported to the Governance and Audit Committee at least twice a year.



## **OPERATIONAL RISK MANAGEMENT**

Operational risks are those that threaten the routine service delivery of the Council. Each service area will have their own operational risk register that details the risks associated with providing the service. These registers will be reported, in summary format, to the Senior Management Team and committee on an annual basis. High risks and the success in controlling them will be reported to Senior Management Team on a quarterly basis, as these will help in the formulation of the strategic risk register.

## **LINKS**

It is essential that risk management does not operate in isolation to other management processes. To fully embed a risk management culture, it has to be demonstrated that risk is considered and influences all decisions that the Council makes. It is essential that there is a defined link between the results of managing risk and the following:

- The Strategic Plan
- Service Plans
- Revenue and Capital Budgets
- Annual Internal Audit Plan

## **ACTION REQUIRED**

The following actions will be implemented to achieve the objectives set out above:

- Considering risk management as part of the Council's strategic planning and corporate governance arrangements.
- Ensuring that the responsibility for risk management is clearly and appropriately allocated
- Maintaining documented procedures for managing risk
- Maintaining a corporate approach to identify and prioritise key services and key risks across the Council and assess risks on key projects.
- Maintain a corporate mechanism to evaluate these key risks and determine if they are being adequately managed and financed.
- Establish a procedure for ensuring that there is a cohesive approach to linking the risks to other management processes
- Including risk management considerations in all committee reports
- Providing risk management awareness training to both members and officers.
- Developing risk management performance indicators.
- Establishing a reporting system which will provide assurance on how well the Council is managing its key risks and ensures that the appropriate Members and officers are fully briefed on risk issues.
- Preparing contingency plans in areas where there is a potential for an occurrence to have a significant effect on the Council and its business capability.
- Regularly reviewing the risk process to ensure that it complies with current national Governance Standards and Best Practice.
- Developing risk management links with key partners and contractors, to ensure that principles are adopted in all areas of service delivery.

## REVIEW

To ensure that the risk management process is effective it will need to be measured and reported to Performance Management Board , Governance and Audit Committee and Cabinet. As well as a structured reporting process of risks and controls during the year there will need to be an annual review demonstrating the success of the following:

- The inclusion of risk management principles within Service Plans and budgets.
- The development of the Internal Audit plan based on the risk issues.
- Achievement against identified performance indicators.
- Members consistently ensuring managing risk is considered as part of the decision-making processes within the Council.
- Service managers making recommendations that regard risk as an opportunity as well as a threat.
- Risk management principles being considered in service reviews, for example in areas such as options for change and service improvements.
- Changes in risk being independently identified and assessed by Service Managers
- Compliance with the use of resources criteria and self assessment requirements.

Suitable opportunities to benchmark the risk management service against other organisations should also be explored, to ensure that it is effective, and the work carried out by the Council conforms to best practise.

The three appendices attached give greater detail of key areas:

Appendix 1 – Outline of the risk management process

Appendix 2 – Details of how Risk Management will be reported.

Appendix 3 – CIPFA guidance on Risk Management Responsibilities

## APPENDIX 1

### The Risk Management Process

Risk Management is a continual process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them and / or responding to them. The risks faced by the Council are constantly changing and the continual process of monitoring risks should ensure that we can respond to the new challenges. This process is referred to as the risk management cycle.

#### **Stage 1 – Risk Identification**

Identifying and understanding the hazards and risks facing the council is crucial if informed decisions are to be made about policies or service delivery methods. There is detailed guidance available on how to identify risks which includes team sessions and individual knowledge. Once identified a risk should be reported to the relevant Assistant Director who will consider its inclusion on the relevant risk register. If the risk is identified in between register reviews, then it is reported to the Risk & Resilience Manager for information and the Head of Service is responsible for managing the risk.

#### **Stage 2 – Risk Analysis**

Once risks have been identified they need to be systematically and accurately assessed. If a risk is seen to be unacceptable, then steps need to be taken to control or respond to it.

#### **Stage 3 – Risk Control**

Risk control is the process of taking action to minimise the likelihood of the risk event occurring and / or reducing the severity of the consequences should it occur.

#### **Stage 4 – Risk Monitoring**

The risk management process does not finish with the risk control procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of the risk has changed over time.

## APPENDIX 2

### Reporting

No matter how good the process to identify and control risks is, it will not be effective unless the information gained from it is reported and used to influence other management issues / processes. Therefore, it is essential that there is a defined process and timetable for reporting the results of the risk management process to both members and officers.

#### Types of Report

- The strategic risk register is reviewed a minimum of twice yearly by Performance Management Board, with interim reports quarterly as required.
- Six monthly review of the operational risk registers and a summary report of these reviews to Performance Management Board
- Project risks are reported through the project management process and reported to the project management board. Significant issues will also be included in the reporting process to Performance Management Board
- A six-monthly report is provided to Governance and Audit Committee detailing the current strategic and high-level operational risks and the progress made in controlling them.
- An annual report reviewing Risk Management activity and an action plan for the coming year – taking into account changes in methodology and results of internal and external reviews. Going to Performance Management Board, Governance and Audit Committee and Cabinet.
- Ad-hoc reports need to be provided to PMB when new, significant risk issues arise.

The reports can be summarised as follows:

	Services	Performance Management Board	Governance and Audit Committee	Cabinet
Quarterly		Review of strategic risk register		
6 Monthly	Review of operational risk register	Summary of operational review from services	Progress report of strategic & high-level operational risks	
Yearly		Scrutiny of annual progress report to committee on risk management	Endorsement of annual progress report on risk management.	Summary of past years work on risk management

## Appendix 3

### Risk Management Responsibilities – CIPFA / SOLACE Guidance

	<b>Framework, Strategy and Process</b>	<b>Identifying risk</b>	<b>Analysing Risk</b>	<b>Profiling risk</b>	<b>Prioritising action based on risk appetite</b>	<b>Determining action on risk</b>	<b>Controlling risk</b>	<b>Monitoring &amp; Reporting</b>	<b>Reporting to external stakeholders.</b>
<b>Members</b>	Agreeing the Framework, Strategy and Process Determined by Officers	Identifying risk	Analysing Risk	Profiling Risk	Determining the risk appetite and prioritising risk.  Agreeing the priorities determined by officers			Reviewing the effectiveness of the risk management process.	Reporting to external stakeholders on the framework, strategy, process and effectiveness.
<b>Risk Management Team</b>	Providing advice And support to the Executive Management Team and Members	Providing advice and support.	Providing Advice and support	Providing advice and support	Providing advice and support			Co-ordinating the results for reporting to the corporate management team and members	
<b>Senior Management Team</b>	Determining the framework, Strategy and Process	Identifying strategic and cross-cutting issues	Analysing Strategic and cross-cutting issues.	Profiling strategic and cross-cutting issues.	Determining the risk appetite and prioritising strategic and cross-cutting issues	Determining action on strategic and cross-cutting issues.  Delegating responsibility for control.		Monitoring progress on managing strategic and cross-cutting risks and reviewing the implementation of the risk management framework, strategy and process.  Reporting to members.	Reporting to external stakeholders on the framework, strategy, process and effectiveness.
<b>Assistant Director Corporate and Improvement Services</b>	Providing Advice and Support	Providing advice and support	Providing advice and support	Providing advice and support	Providing advice and support	Providing advice and support	Providing advice and support	Co-ordinating the results for reporting to the executive management team and members	Preparing draft reports for the corporate management team and members to issue.
<b>Service Managers / G.M.T's</b>		Identifying service Risks	Analysing Service risks.	Profiling service risks.	Prioritising action on service risks.	Determining action on service risks.  Delegating responsibility for control.		Monitoring progress on managing service risks.  Reporting to the group management team	
<b>Employees, contractors And partners</b>		Maintaining awareness of risks and feeding these into the formal process.	Maintaining awareness impact of risks and feeding information into the processes				Controlling risk in their jobs.	Monitoring progress on Managing job related risks  Reporting to the service manager.	



## Governance and Audit Committee

Item  
**11**

28 July 2020

Report of	Assistant Director Corporate and Improvement Services	Author	Matthew Evans ☎ ext. 8006
Title	Work Programme 2020-2021		
Wards affected	Not applicable		

### 1. Executive Summary

- 1.1 This report sets out the current Work Programme 2020-2021 for the Governance and Audit Committee. This provides details of the reports that are scheduled for each meeting during the municipal year. Members will note that two items, reports on the Audited Statement of Accounts and the Treasury Management Report have been moved from this meeting to the next meeting of this Committee in October.

### 2. Recommended Decision

- 2.1 The Committee is asked to note the contents of the Work Programme for 2020-2021.

### 3. Reason for Recommended Decision

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

### 4. Alternative Options

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

### 5. Background Information

- 5.1 The Governance and Audit Committee deals with the approval of the Council's Statement of Accounts, audit, other miscellaneous regulatory matters and standards.
- 5.2 The Committee's Work Programme will evolve as the Municipal Year progresses and items of business are commenced and concluded. At each meeting the opportunity is taken for the Work Programme to be reviewed and, if necessary, amended according to current circumstances.

## **6. Standard References**

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

## **7. Strategic Plan References**

- 7.1 Governance is integral to the delivery of the Strategic Plan's priorities and direction for the Borough as set out under the four themes of growth, responsibility, opportunity and wellbeing.
- 7.2 The Council recognises that effective local government relies on establishing and maintaining the public's confidence, and that setting high standards of self-governance provides a clear and demonstrable lead. Effective governance underpins the implementation and application of all aspects of the Council's work.

## **WORK PROGRAMME 2020-21**

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



<b>Governance and Audit Committee - 8 September 2020</b>
<ol style="list-style-type: none"> <li>1. Colchester Borough Homes Annual Report and Governance Statement</li> <li>2. Financial Monitoring Report – April to June 2020</li> <li>3. Capital Expenditure Monitor 2020/2021</li> <li>4. 2019/2020 Year End Review of Risk Management</li> </ol>
<b>Governance and Audit Committee - 20 October 2020</b>
<ol style="list-style-type: none"> <li>1. Local Government and Social Care Ombudsman Annual Review 2019/2020</li> <li>2. Health and Safety Policy and Annual Report</li> <li>3. Annual Audit Letter 2019/2020</li> <li>4. Audited Statement of Accounts 2019/2020 and Annual Audit letter</li> <li>5. Treasury Management Report 2019-20</li> <li>6. Review of digital meetings following Covid-19</li> </ol>
<b>Governance and Audit Committee – 24 November 2020</b>
<ol style="list-style-type: none"> <li>1. Review of the Council's Ethical Governance Policies</li> <li>2. Annual Review of the Members' Code of Conduct and the Council's Localism Act "Arrangements"</li> <li>3. Review of Local Code of Corporate Governance</li> <li>4. Review of Member/Officer Protocol</li> <li>5. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Employees</li> <li>6. Treasury Management – Half Yearly Update</li> <li>7. Annual Review of Business Continuity</li> <li>8. Equality and Safeguarding Annual Update</li> </ol>
<b>Governance and Audit Committee - 19 January 2021</b>

1. Interim Review of the Annual Governance Statement Action Plan
2. Risk Management Progress Report
3. Mid-Year Internal Audit Assurance Report 2020/2021
4. CCHL Half-Year Performance Report
5. Annual Review of the Council's Companies' Business Plans

Governance and Audit Committee - **23 March 2021**

1. External Audit Plan for year ending 31 March 2021 and Certification of Claims and Returns – Annual Report 2019/2020
2. Financial Monitoring Report
3. Capital Expenditure Monitor 2020/2021
4. Internal Audit Plan 2021/2022