

Governance and Audit Committee Meeting

**Grand Jury Room, Town Hall, High Street,
Colchester, CO1 1PJ**

Tuesday, 06 March 2018 at 18:00

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

Information for Members of the Public

Access to information and meetings

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

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

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

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

Accounts and Audit

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

Governance

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

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

Other regulatory matters

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

To determine and approve Community Governance Reviews.

Standards in relation to Member Conduct

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

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

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

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

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

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

General

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

COLCHESTER BOROUGH COUNCIL
Governance and Audit Committee
Tuesday, 06 March 2018 at 18:00

The Governance and Audit Committee Members are:

Councillor Nick Barlow	Chairman
Councillor Dave Harris	Deputy Chairman
Councillor Peter Chillingworth	
Councillor Dominic Graham	
Councillor Fiona Maclean	
Councillor Dennis Willetts	

The Governance and Audit Committee Substitute Members are:

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

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

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

1 Welcome and Announcements

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

2 Substitutions

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

3 Urgent Items

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

4 Declarations of Interest

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

participating in any vote upon the item, or any other pecuniary interest or non-pecuniary interest.

- | | | |
|----|--|---------|
| 5 | Minutes of the previous meeting | 7 - 12 |
| | To confirm the minutes of the meeting held 16 January 2018 as a correct record. | |
| 6 | Have Your Say! | |
| | The Chairman will invite members of the public to indicate if they wish to speak or present a petition on any item included on the agenda or any other matter relating to the terms of reference of the meeting. Please indicate your wish to speak at this point if your name has not been noted by Council staff. | |
| 7 | Audit Plan for year ending 31 March 2018 | 13 - 50 |
| | The report request that the Committee review the contents of the Audit Plan for year ending 31 March 2018. | |
| 8 | Internal Audit Plan 2018/19 | 51 - 54 |
| | The committee are asked to consider and agree the suggested Internal Audit plan for 2018/19, shown in appendix 1. | |
| 9 | Financial Monitoring Report | 55 - 70 |
| | This report gives the Panel the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets. The Committee is asked to consider the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first nine months of 2017/18, and to note the forecast budget overspend of £44k on the General Fund. | |
| 10 | Capital Expenditure Monitor 2017/18 | 71 - 82 |
| | The Panel is asked to review the level of capital spending during the first nine months of 2017/18, and forecasts for future years. | |
| 11 | Disclosure and Barring Checks for Councillors | 83 - 88 |
| | This report provides background information and reviews policy options in regard to criminal history checks for councillors. Such checks are administered by the Disclosure and Barring Service (DBS). | |
| 12 | Committee on Standards in Public Life Consultation on Local Government Ethical Standards | 89 - 94 |
| | The purpose of this report is to inform the Committee of a stakeholder consultation being undertaken by the Committee on Standards in Public Life in relation to Local Government Ethical Standards. | |

This report sets out the current Work Programme 2017-2018 for the Governance and Audit Committee. This provides details of the reports that are scheduled for each meeting during the municipal year.

14 **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)

15 **Risk Based Verification**

*****ITEM WITHDRAWN*****

GOVERNANCE AND AUDIT COMMITTEE

16 JANUARY 2017

Present:- Councillor Barlow (Chair), Councillor Chillingworth, Councillor Harris, Councillor F Maclean and Councillor Willetts

Substitutes:- Councillor Cope for Councillor Graham

88. Minutes

RESOLVED that the minutes of the meeting held 28 November 2017 were confirmed as a correct record.

89. Certification of Claims and Returns – Annual Report 2016/17

Steve Heath, Finance Manager, Kevin Suter, Associate Partner at Ernst and Young and Dan Cooke, Audit Manager, Ernst and Young attended the meeting to introduce the report. The report requests that the Committee note and comment on the contents of the 2016/17 Certification of Claims and Returns annual report from the external auditor.

Dan Cooke provided the Committee with a summary of the work undertaken to assess the housing benefits claim which has a total value of approximately £55m. Dan Cooke stated that Ernst and Young follow the audit methodology as set out by the Department of Work and Pensions. Ernst and Young test 20 housing benefit cases across the three main areas, rent rebates, rent allowances and non-HRA. One error was identified and therefore '40+' testing was conducted. As a result of this additional testing a further six errors were found. Extrapolating this error rate across the full housing benefit subsidy would highlight an error equating to an overstatement estimate of £75,000. This does not directly impact the claimants involved, but the Council is informed and the Council may also have to pay money back to the Department of Work and Pensions. Dan Cooke confirmed that the error found was manual, and that it is not unusual for errors to be found.

Dan Cooke also confirmed that £4,005 of audit fees were returned to the Council, as it performed the initial housing benefit test rather than the external auditors. Dan Cooke highlighted that the report included a recommendation that risk based verification policy should be reviewed annually. This was not verified during 2016-17 and therefore it is recommended that the policy be formally reviewed during 2017-18.

With regard to the housing pooling return, this work is underway and on track for the deadline at the end of January 2018. To date there are no issues that have been identified.

A member of the Committee asked the external auditors how this error rate compared with other local authorities. In response Kevin Suter stated that the Councils performance is good and that there are other Councils that have a higher error rate. In terms of the total

extrapolated figure of £75,000, this is not comparable as it depends on the value of the source error. Kevin Suter also provided confirmation that where an error is found the Council is informed, and then the Council takes steps to rectify that error.

In response to a question about the statistical validity of the audit, Kevin Suter stated that the audit provide does not claim to be statistically representative. The methodology for the audit is from the Department of Work and Pensions, and this is not set out to be statistically representative, but does provide an indication of the number of errors that could be found. The Committee acknowledged that this would be an issue to raise with the Department of Work and Pensions rather than the auditors, if they felt the system should be changed.

RESOLVED that the contents of the 2016/17 Certification of Claims and Returns annual report be noted.

90. Review of Meetings and Ways of Working update

Andrew Weavers, Monitoring Officer and Richard Clifford, Democratic Services Officer, attended the meeting to present the report. The report requests that the Committee note the progress made to date on the Review of Meetings and Ways of Working and to consider whether to make a recommendation to Council in respect of the Review of Meetings and Ways of Working.

Andrew Weavers introduced the report and provided the Committee with a summary of the information included. Andrew Weavers highlighted that this was the first meeting using digital only agendas as part of the three month trial. It was anticipated that including the £1,500 cost of loaned devices to Councillors, the trial would save approximately £750.

Andrew Weavers informed the Committee that it is not currently possible for Councillors to use video conferencing to participate in meetings, but that Officers can do so. Andrew Weavers did highlight that the Government held a consultation two years ago about whether Joint Committee members could attend through video conferencing, which required Committee members access video conferencing in a public building to participate. The North Essex Parking Partnership provided a response to the consultation, but the results have yet to be published.

With regard to meeting start times, Andrew Weavers confirmed that there was a small number of additional responses to the survey prior to the meeting. This did not change the meeting start time preference, with a clear majority in favour of a 6pm start time. The Committee were also made aware that if a start time change was proposed, a recommendation would need to be made to Cabinet.

Andrew Weavers also informed the Committee that the additional supplementary minute for Have Your Say has been introduced to all non-quasi-judicial Committees. Anecdotal evidence from members of the public suggest that they welcome the opportunity to ask a supplementary question.

With regard to members training, a report will be discussed at the January Cabinet meeting. The Committee were also informed that there has been no update from the Group Leaders with regard to the members' room issue and that there is currently no budget for improvements.

The Committee welcomed the report and the work undertaken to date. Confirmation was

provided that the ICT equipment provided to Councillors would need to be returned when their term of office expired.

A member of the Committee raised a query regarding the environmental impact of devices. In response it was confirmed that additional information on recycling devices and information on the overall environmental impact of a move to digital agendas could be included in the report due at the end of the digital agendas trial.

With regard to digital agendas, some members were of the opinion that the Council should push forward and adopt digital agendas as soon as possible, given that other Councils are further ahead in rolling this out. However, it was agreed that the best process would be for the trial to take place before a report is brought to the June Governance and Audit Committee and then brought to the Full Council meeting in July. It was suggested that Democratic Services Officers contact Councillors on other Committees to provide advice on how they begin to access digital agendas, if they wished to do so.

As part of the meeting start time discussion, Committee members acknowledged that of those who responded, the majority of Councillors wished for start times to remain at 6pm. In the light of this, the Committee did not feel that it was necessary to make a recommendation to amend the start times of meetings. Committee members were conscious that 35% of Councillors indicated they would prefer a later start time and therefore felt that there should be some improvement in facilities available to members, to address some of the concerns of those who found 6pm start times difficult. It was agreed that the issue of facilities should be taken forward by political groups at this stage

The Committee also discussed the possibility of Officers attendees using online video conferencing facilities to participate in Committee meetings and suggested that a trial could take place at the next Governance and Audit Committee.

It was also suggested that there would be merit in a Chairman's forum, where Committee Chairman could meet and discuss common issues.

RESOLVED that the progress made to date on the Review of Meetings and Ways of Working be noted.

91. Interim Review of the Annual Governance Statement Action Plan

Hayley McGrath, Corporate Governance Manager, introduced the Interim Review of the Annual Governance Statement Action Plan. The report requests that the Committee consider and comment on the work undertaken to implement the current Annual Governance Statement action plan.

Hayley McGrath highlighted that the report provides an update on the recommendations that were raised in the Annual Governance Statement report which was discussed in June. Hayley McGrath confirmed that all recommendations made for the three areas of concern, payroll, Civica application and contracting with third parties, had either been completed or will be completed by the end of the financial year. Hayley McGrath also confirmed that auditors would be checking those areas as part of the routine internal auditing programme.

The Governance and Audit Committee welcomed the report and the progress made.

RESOLVED that the Interim Review of the Annual Governance Statement Action Plan be

noted.

92. Risk Management Progress Report

Hayley McGrath, Corporate Governance Manager, introduced the Risk Management Progress report. The report requests that the Committee consider and comment on the Council's progress and performance in managing risk during the period from April to September 2017 and to consider and comment on the current strategic risk register.

The Committee were informed that the key strategic risks remain the same; this includes the potential impact of future central government decisions to reduce public funding and failure or inappropriate management of strategic partnerships or key contracts.

Hayley McGrath also highlighted that the report includes details of additional work covered under risk management. There has been wider work on health and safety associated risks and physical risks as well as work undertaken with the new Council created companies to ensure they have appropriate plans going forward.

Committee members welcomed the report. Officers confirmed, in response to a question, that the Council did not have any contracts with Carillion. In terms of how well the Council is prepared if a current contractor has similar issues, Hayley McGrath stated that the Council is risk aware and would assess any issue on a case by case basis, with arrangements put in place where necessary. The Council assesses the financial viability and capability of contractors to provide services and also maintains a contracts register which contains all the required details.

A further question was how often the risks are reviewed, particularly given that one risk is related to Brexit. Hayley McGrath confirmed that risks are reviewed every quarter to identify and new issues that have arisen, additionally discussions are also held with senior management to ensure that it is up to date.

RESOLVED that the Governance and Audit Committee considered and commented on the progress and performance in managing risk and the current risk register.

93. Annual Review of Business Continuity

Hayley McGrath, Corporate Governance Manager, introduced the Annual Review of Business Continuity report. The report requests that the Committee consider and comment on the business continuity work undertaken during the period and endorse the business continuity strategy for 2018.

Hayley McGrath provided the Committee with a summary of the report and informed members that business continuity is part of the risk management framework. The report is brought to the Committee to provide assurance that appropriate measures and plans are in place.

Hayley McGrath stated that there is a strong link between business continuity and the Council's emergency planning obligations and much of the work during the year has been done with this in mind. Emergency planning obligations require the Council to provide humanitarian assistance, such as rest centres, when there is an emergency event in the Borough. The Council has to ensure that it can provide officers to assist with emergency planning, but also to ensure that Council business can continue.

In response to a question about continuing to provide Council services during a flu epidemic, Hayley McGrath confirmed that the Council has plans to ensure that essential services can be provided. The Council has also identified areas where staff can be pulled from to ensure these essential services can continue to operate.

With regard to lessons learnt from exercises undertaken or incidents, Hayley McGrath confirmed that an internal review is always completed following an exercise. The resilience officer will gather information from all officers that have been involved with the incident, and this will then be reviewed at a First Call Officers meeting. With regard to external reviews lessons learnt are also reported back through improvement plans which are reviewed and then implemented.

The Committee received assurance that if there was a significant issue following a review of the strategy, a report would be brought to the meeting. The majority of recommendations following a review are low level, such as improving communications between partners.

Following a question about what constitutes whether a plan is a success or a failure, Ann Hedges highlighted that this is down to the preparation rather than the number of people using rest centres. Ann Hedges informed the Committee that she was currently the first call officer and had received briefings and phone calls on the incoming weather. Ann Hedges also confirmed that there are Colchester Officers on standby for events and, in response to a question, stated that there is not a support service for first call officers, as it's a more strategic role rather than an emergency service.

RESOLVED that;

- a) The Committee considered and commented on the business continuity work undertaken during the period.
- b) The Committee endorse the Business Continuity Strategy for 2018.

94. Work Programme 2017-18

Jonathan Baker, Democratic Services Officer, introduced the Work Programme 2017-18. The report requests that the Committee note the contents of the Work Programme.

Jonathan Baker informed the Committee that three additional items would be scheduled for the next Governance and Audit Committee meeting in March. The reports specified for inclusion were the Internal Audit Plan 2018-19, Disclosure and Barring Service Checks, which would consider options for member requirements and the Housing Benefit and Local Council Tax Support Risk Based verification policy.

The Committee noted the report, and the additional reports scheduled for the next meeting.

RESOLVED that the Work Programme 2017-18 be noted.

6 March 2018

Report of	Assistant Director, Policy & Corporate	Author	Steve Heath ☎ 282389
Title	Audit Plan		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 The Audit Plan for year ending 31 March 2018 summarises the Auditor's assessment of the key financial statement and value for money risks facing the Council, and outlines the planned audit strategy in response to those risks. It covers the work that will enable the Auditor to provide:
 - An opinion on whether the Council's financial statements give a true and fair view of the financial position as at 31 March 2018.
 - A conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.
- 1.2 The report also details materiality levels for 2017/18, the audit team, and delivery timetable. The Auditor expects to present their Audit Results Report to the meeting of this Committee on 3 July 2018.

2. Recommended Decision

- 2.1 To review the contents of the Audit Plan for year ending 31 March 2018.

3. Reason for Recommended Decision

- 3.1 The Accounts and Audit Regulations require the Council to review the proposed audit approach and scope for the 2017/18 audit.
- 3.2 To ensure that the audit is aligned with the Committee's service expectations.

4. Alternative Options

- 4.1 Not applicable.

5. Supporting information

- 5.1 The Audit Planning Report for the year ended 31 March 2018 is attached to this report as an appendix.

6. Strategic Plan references

- 6.1 The objectives and priorities of the Strategic Plan informed all stages of the budget process for 2017/18.

7. Financial Implications

- 7.1 Appendix A to the Audit Plan outlines the planned fees for the 2017/18 audit work. This is in line with the budgeted amount.

8. Other Standard References

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

Appendices

Audit Planning Report – Year ended 31 March 2018

Background Papers

None

Colchester Borough Council

Audit planning report

Year ended 31 March 2018

February 2018



Governance and Audit Committee
Colchester Borough Council
Rowan House
33 Sheepen Road
Colchester
CO3 3WG

9 February 2018

Dear Governance and Audit Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Governance and Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

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

We welcome the opportunity to discuss this report with you on 6 March 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter
For and on behalf of Ernst & Young LLP
Enc

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance and Audit Committee of Colchester Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance and Audit Committee and management of Colchester Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance and Audit Committee and management of Colchester Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2017/18 audit strategy



Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide you with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of Fraud in Revenue and Expenditure Recognition	Fraud risk	No change in risk or focus	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.</p>
Risk of Management Override	Fraud risk	No change in risk or focus	<p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>

Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the areas of audit focus, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report. It seeks to provide you with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Property, Plant and Equipment Valuation	Other financial statement risk	No change in risk or focus	<p>Property, Plant and Equipment represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.</p> <p>The Council has been using a valuer to value the Council's asset base. The valuer applies a number of complex assumptions and assesses the Council's assets to identify whether there is any indication of impairment and changes to their useful life.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>
Pensions Liability - IAS19	Other financial statement risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice (the code) and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p> <p>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>

Overview of our 2017/18 audit strategy

Materiality

Planning
materiality

£2.8m

Materiality has been set at £2.8m, which represents 2% of the prior years gross expenditure on provision of services.

Performance
materiality

£2.1m

Performance materiality has been set at £2.1m, which represents 75% of planning materiality.

Audit
differences

£143k

We will report all uncorrected misstatements relating to the single entity and group primary and supplementary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, housing revenue account and collection fund) greater than £2.1m. Other misstatements identified will be communicated to the extent that they merit the attention of the Governance and Audit Committee.

Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Colchester Borough Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



02 Audit risks



Audit risks

Our response to significant and other financial statement risks

We have set out the significant and other financial statement risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of Fraud in Revenue and Expenditure Recognition*

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.

What will we do?

Our approach will focus on:

- Review and test revenue and expenditure recognition policies;
- Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- Develop a testing strategy to test material revenue and expenditure streams; and
- Review and test revenue and expenditure cut-off at the period end date.

Risk of Management Override*

What is the risk?

As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

Our approach will focus on:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewing accounting estimates for evidence of management bias;
- Evaluating the business rationale for significant unusual transactions; and
- Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Audit risks

Our response to significant and other financial statement risks (continued)

Property, Plant and Equipment Valuation

What is the risk?

Property, Plant and Equipment (PPE) represents a material item on the Council's balance sheet. PPE is initially measured at cost and then revalued to fair value (determined by the amount that would be paid for the asset in its existing use) on a 5 year rolling basis. This is carried out by an expert valuer and is based on a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What will we do?

Our approach will focus on:

- Reliance on management's valuation experts. This will include comparison to industry valuation trends;
- Consideration of any revaluations in year, the basis of valuation of significant assets and any significant changes in use to ensure they remain appropriate if circumstances change; and
- Reliance on our own valuation experts where significant unexplained variations are identified.

Pension Valuation and Disclosures

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet. The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the Essex Pension Fund.

As part of their actuarial review, councils are being asked to make additional payments to the pensions scheme to fund deficits.

What will we do?

Our approach will focus on:

- The actuarial expertise used by the Council;
- Reliance of our EY Pensions experts to assess the conclusions drawn on the work of the actuary by the Consulting Actuary to the PSAA, PwC;
- Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19; and
- Assessing the reasonableness of the estimations and judgements used.



Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Changes to Service Headings on the CIES

Due to changes in the internal reporting of the Council, amendments have been made to the service headings used in the comprehensive income and expenditure statement. The new structure will require prior year comparators to be restated. The restatement will require additional audit procedures to be performed.

What will we do?

We will:

- ▶ Review new service headings to ensure that they are in line with internal reporting to Management;
- ▶ Check the revised comparator figure totals reconcile to the totals in the prior year audited financial statements; and
- ▶ Agree the split of the revised comparator figures to supporting working papers prepared by the Council.



03

Value for Money Risks





Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

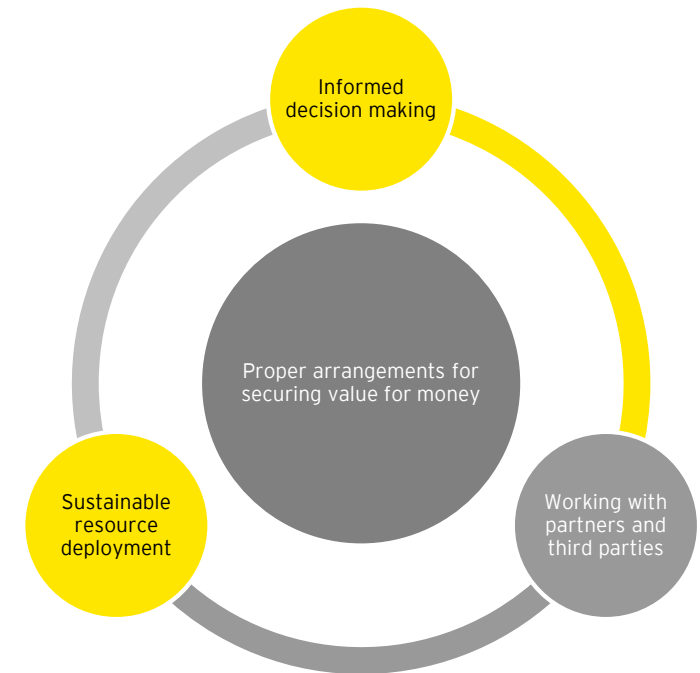
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. We have not identified any significant risks which we view as relevant to our value for money conclusion at this stage. We will continue to monitor the three areas of focus and inform you if any significant risks are identified.





04

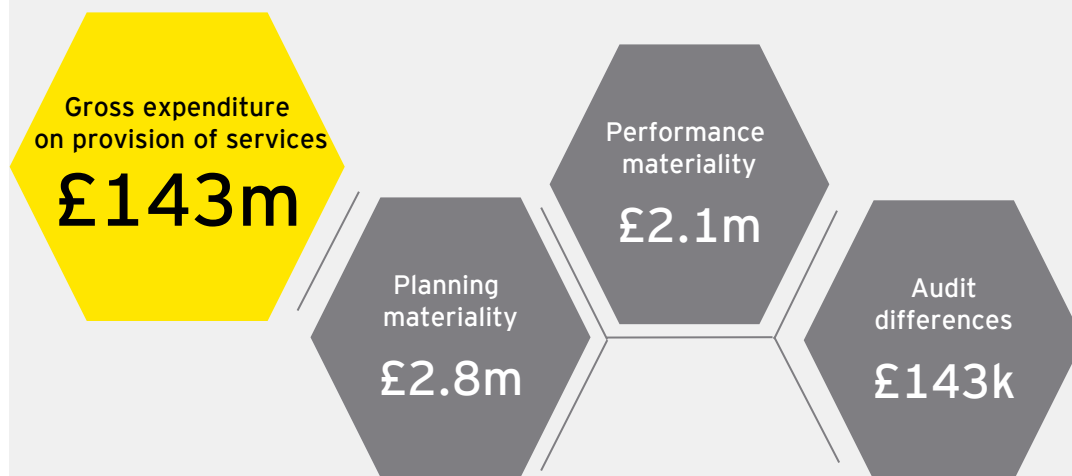
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £2.8m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix D.



We request that the Governance and Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at 2.1 million which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Governance and Audit Committee, or are important from a qualitative perspective.

Specific materiality - We will set a lower materiality figure for some specific areas of the financial statements, such as remuneration disclosures, related party transactions, members' allowances and exit packages. This reflects our understanding that an amount less than our performance materiality figure would influence the economic decisions of users of the financial statements in these sensitive areas.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO [delete if not applicable]

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Governance and Audit Committee.

Internal audit:

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements.



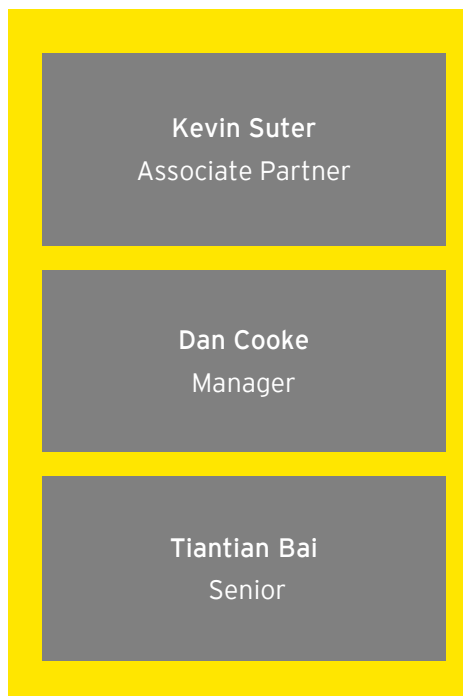
06

Audit team



Audit team

Audit team structure:



The engagement team is led by Kevin Suter, who has significant experience in the Government and Public Sector and Local Authority audits. Kevin is supported by Dan Cooke who has been involved in the audit over the last two years and is responsible for the day-to-day direction of audit work. Dan is the key point of contact for the finance team. Tiantian has worked as member of the audit team for the past two years and will lead the on site team again this year.

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property, Plant and Equipment, and Investment Properties	Norfolk Property Services (the Council's property advisor)
Pension valuations and disclosures	Management expert - actuarial specialists to the Essex Pension Fund (Barnett Waddingham) EY Pensions Advisory, PwC (Consulting Actuary to the PSAA)
Fair value of financial instrument disclosure	Management expert - for the provision of fair value information in respect of financial instruments (Link Asset Services)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with Governance and Audit Committee and we will discuss them with the Governance and Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Risk assessment and setting of scopes	December-January	Audit Plan (March committee meeting)	Risk assessment and setting of scopes
Early testing and testing routine processes and controls	February - April	Progress report (if needed)	Early testing and testing routine processes and controls
Year-end audit and completion of audit	June - July	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements and, by exception overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.	Year-end audit and completion of audit
Conclusion of reporting	June - July	Annual Audit Letter	Conclusion of reporting

Timetable of communication and deliverables (continued)

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements.

The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers, internal quality assurance arrangements and capacity of the Finance Team to deliver draft accounts within the deadline.

As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be postponement of your audit until later in the summer and the team to redeployed to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

What will we do?

We will:

- ▶ Work with the Council to engage early to facilitate early substantive testing where appropriate;
- ▶ Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed;
- ▶ Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year;
- ▶ Work with the Council to implement EY Client Portal, this will:
 - ▶ Streamline our audit requests through a reduction of emails and improved means of communication;
 - ▶ Provide on -demand visibility into the status of audit requests and the overall audit status;
 - ▶ Reduce risk of duplicate requests; and
 - ▶ Provide better security of sensitive data.
- ▶ Agree the team and timing of each element of our work with you; and
- ▶ Agree the supporting working papers that we require to complete our audit.



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation] 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Janet Dawson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 6.7%. We have adopted the following safeguards as a result. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee - Code work	62,582	62,582	64,066
Other(Certification of claims and returns)	13,640	13,640	15,450
Total audit	76,222	76,222	79,516
Other non-audit services not covered above (review of the Pooling of Housing Capital receipts return)	-	-	4,750
Total other non-audit services		-	4,750
Total fees	76,222	76,222	84,266

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B

Regulatory update



In previous reports to the Governance and Audit Committee, we highlighted the issue of regulatory developments. The following table summarises progress on implementation:

Earlier deadline for production and audit of the financial statements from 2017/18	
Proposed effective date	Effective for annual periods beginning on or after 1 April 2017.
Details	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.
Impact on Colchester Borough Council	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>We held a faster close workshop for clients on in November 2017 to facilitate early discussion and sharing of ideas and good practice.</p> <p>We are now working with the Council on ideas coming from the workshop, for example:</p> <ul style="list-style-type: none">• Streamlining the Statement of Accounts removing all non-material disclosure notes;• Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations;• Providing training to departmental finance staff regarding the requirements and implications of earlier closedown;• Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure;• Establishing and agreeing working materiality amounts with the auditors.

Appendix C




Required communications with the Governance and Audit Committee

We have detailed the communications that we must provide to the Governance and Audit Committee.

Our Reporting to you		
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Governance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report




Appendix C

Required communications with the Governance and Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit results report
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit results report
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report




Appendix C

Required communications with the Governance and Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Planning Report</p> <p>Audit Results Report</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Governance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance and Audit Committee may be aware of 	Audit results report
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Management letter/audit results report

Appendix C

Required communications with the Governance and Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report Audit results report
Certification work	Summary of certification work undertaken	Certification report

6 March 2018

Report of	Assistant Director of Policy & Corporate	Author	Hayley McGrath
Title	Internal Audit Plan 2018/19		☎ 508902
Wards affected	Not applicable		

1. Executive Summary

- 1.1 The Accounts and Audit Regulations 2015 require that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'
- 1.2 To ensure that the Council complies with these requirements it maintains a five year program of the key areas to be audited, then annually a plan is agreed with management about the specific areas to be covered during the next financial year. The annual plan is then submitted for committee approval.

2. Recommended Decision

- 2.1 The committee are asked to consider and agree the suggested Internal Audit plan for 2018/19, shown in appendix 1.

3. Reason for Recommended Decision

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

4. Alternative Options

- 4.1 The alternative is to not agree a plan for 2018/19 and to decide on an ad-hoc basis which areas are to be audited during the year. However this option will not ensure that all key areas are audited and will reduce the effectiveness of the internal audit service.

5. Background Information

- 5.1 The Council operates a five year program showing coverage of the key audits. This is an overview of the areas that require assurance, and annually the specific areas to be covered are agreed with. Fundamental systems, such as the General Ledger, need to be reviewed every year to provide assurance for the final accounts process, and these are known as managed audits.
- 5.2 The Internal Audit contract provides for 325 auditing days a year. For 2018/19 a total of fifty days are allocated to follow-ups and management, leaving 275 days to be allocated to other areas. Currently there are no audits to be carried forward from 2017/18.
- 5.3 The Corporate Governance Manager has discussed the plan and timings with senior managers to ensure that there is commitment in supporting the auditors whilst carrying out the reviews. It has also been agreed with the Council's external auditors.
- 5.4 A total of fifteen days have been included in the plan to review significant contracts and twenty five to review IT systems and processes. These items will be identified during the year as required.

6. Colchester Borough Homes

- 6.1 Colchester Borough Homes have their own agreed audit plan which is administered by the Council's auditors. The coverage of the plan is decided by Colchester Borough Homes and is not reported to this committee.
- 6.2 However there are a few systems that also involve input from the Council and it is appropriate that in these circumstances that the audit resource required to provide assurance is shared by, and reported to, both organisations. In 2018/19 there is one 'shared' audit – Housing Rents (5 days) – which has been included on the attached audit plan.

7. Equality, Diversity and Human Rights implications

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

8. Strategic Plan References

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

9. Risk Management Implications

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

10. Other Standard References

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

Appendices

Appendix A – Draft Internal Audit plan for 2018/19.

Five Year Audit Plan @ 01 February 2018

	Audit Area	Managed Audit / A.G.S	2016/17	2017/18	2018/19	2019/20	2020/21
Cross Cutting							
	Site Cash Ups	✓	3	5	3	5	3
	Corporate Governance & Scrutiny	✓		12		12	
	Single Data Set	✓	5	5	5	5	5
	Security of Premises		2	2	0	2	2
	Access Cards				8		
Colchester Commercial Holdings							
	CCTV + Helpline				12		
	Commercial and Investment Property			10			10
	Events			10			10
	Hire of Stadium				3		
	Establishment of LDV					10	
	Leisure World - Core functions, includes joint use centres	✓	10	10	10	10	10
	Leisure World - Other - inc catering and bars		10				
Communities							
	Cemetery and Crematorium			7			10
	Green spaces						10
	Museums - Merged Services inc. Admissions, Shops and Inventories	✓	12	12	15	12	15
	Zone Working				10		
	Lion Walk Activity Centre				5		
	Highwoods Country Park			8			
	Use of equipment / vehicles		8				
	Contracting with 3rd Parties		8				
	Use of Grant funding		8				
	Abandoned vehicles						6
	Allotment and Beach Huts		8				
Customer							
	Debtors	✓	10	5	5	10	5
	Corporate Debt (including bailiffs)				10		
	Council Tax	✓	10	5	5	10	5
	Housing Benefit / Local Tax Support Scheme	✓	12	12	12	12	12
	Housing Benefit Overpayments	✓		8			8
	NNDR / Business Rates	✓	10	5	5	10	5
	Discretionary Housing Payments & Exceptional Hardship Payments				8		
	Corporate PSU / Management Arrangements		10				
	Utility bills				5		
	Freedom of Information			7			
	Complaints		8				
Environment							
	Building Control Fees			8			8
	Fuel Usage		10				
	Parking Services Income / Partnership	✓	15	15	15	15	15
	Waste Management			10			
	Fleet Management					10	
	Food Control					8	
	Animal / Pest Control				8		
	Private Sector Housing - Financial Assistance - DFG				10		
	Environmental Protection					8	
	Licensing - alcohol and entertainment, gambling		8				
	Land charges		7				
	Licensing for taxis			8			
	HMO		7				
	Rechargeable works					8	
	Electoral registration						
Policy & Corporate							

Shared with CBH	Contract Management Audits			15	15	15	15
	Health and Safety				8		5
	Performance Management of Staff				5		
	Recruitment and Retention					10	
	Sickness/Leave/Flex Absence & Flexible Working		10				
	Creditors (including CI scheme)	✓	5	10	5	5	10
	General Ledger	✓	10	5	5	10	5
	Risk Management	✓	7		7		7
	Treasury Management	✓	5	5	8	5	5
	Procurement						
	Purchasing cards		3			3	
	General IT - (to be allocated)		25	25	25	25	25
	Budgetary Control						10
	BCP / Emergency Planning		8				8
	Insurances				8		
	Proceeds of crime						8
	S106 Monies				10		
	Planning Policies - consultants and salaries						10
	Planning Fees			10			10
	Payroll	✓	10	10	7	10	7
	Garden Communities				10		
	VAT					15	
	HUB processes and procedures				3		
	Housing Rents	✓	5	5	5	10	5
	Management of Expenditure CBH	✓		8			8
	Homelessness / Housing Needs Register			10			10
	RTB			10			
	Total No. of Days		269	277	275	255	287

6 March 2018

Report of	Assistant Director Policy and Corporate	Author	Darren Brown ☎ 282891
Title	Financial Monitoring Report – April to December 2017		
Wards affected	Not applicable		

1. Executive Summary

1.1 This report gives the Panel 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 £59k as at period 9. This includes a net underspend on expenditure of £115k and less income of £174k.
- The current forecast outturn position for the General Fund is a net overspend of £44k.
- The Housing Revenue Account is showing a net underspend of £656k as at period 9, and is forecast to be on budget at the year-end.

1.2 Assistant Directors and their budget holders have undertaken a thorough review of the financial position for their services, which is reflected in this report. In addition, SMT continues to monitor the budget position on a monthly basis. The final end of year position will be reported for scrutiny purposes and the impact of this on balances will be considered by Cabinet as part of the budget strategy for 2019/20.

2. Action required

2.1 The Committee is asked to consider the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first nine months of 2017/18, and to note the forecast budget overspend of £44k on the General Fund.

3. Reason for scrutiny

3.1 Monitoring of financial performance is important to ensure that:

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

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

4. Background

- 4.1 This report reviews the Council's overall position based on profiled income and expenditure for the nine months to 31 December 2017, and also shows a projection of the outturn figures for the full year. All the information presented in respect of General Fund Services shows the position based on net 'direct costs'. The review of the Housing Revenue Account is different in that it shows all costs, both direct and indirect.

Summary Position

- 4.2 The projected outturn for the General Fund is currently a net overspend of £44k. The Housing Revenue Account forecast outturn position is currently to be on budget.
- 4.3 The General Fund position is set out in more detail in the following paragraphs and the HRA position explained in paragraphs 4.17 to 4.20. Budgets carried forward from 16/17 are now included in the schedules within this report, and as such will be monitored as part of the overall position.

General Fund – Position to 31 December 2017

Service Budgets

- 4.4 Appendix A shows the current budget variances and forecast outturn variances by Service Group. The net position shows a variance against profiled budget for General Fund Services (excluding Benefits, NEPP & JMC) of £59k (adverse). This comprises total expenditure being £115k lower than expected and total income being £174k lower than expected. Appendix B breaks these variances down by subjective group.
- 4.5 The net position to date is broadly in-line with the net forecast outturn position. There are changes expected to expenditure and income variances between period 9 and the year-end, and this reflects a number of factors such as:
- Income either decreasing, or not continuing at the level to date for the remainder of the financial year.
 - The profiling of budgets and the impact of changes in spending and income patterns.
 - Areas where adjustments will take place as part of the closure of accounts (for example where income has been received in the current year but relates to the next financial year).
 - Budgets currently unspent for which a carry forward at year-end may be identified

Income

- 4.6 As reported at Quarter 2 to Scrutiny Panel, income to the Council is below targets in a number of areas to date, but most notably in Sport & Leisure, Community Alarms and Planning, although it should be noted that some of the shortfalls are small in monetary terms. We have however achieved more income in Events, Building Control, Parking, Bereavement and Trade Waste. As one of our main risk areas, income will continue to be closely monitored by officers on a monthly basis.

Expenditure

- 4.7 There are underspends against profiled budgets in a number of services areas, predominantly within third party payments, premises and transport 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 underspent by £150k at year end, when the final subsidy claim is paid. Furthermore, NEPP and JMC variances are not included in the Appendix A & B totals, given these areas are ring-fenced and are reported to the relevant joint committee.

Outturn Forecast / Risk Areas

- 4.9 This is the third review this year of the 2017/18 budget position, and the current forecast outturn is a net overspend of £44k.

	£'000	
Service budgets	537	See paras. 4.9 – 4.11 and Appendix C
Technical / Corporate Items	(493)	See para 4.12 and Appendix D
Potential net overspend	44	

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 £537k. As the table shows, this is mainly due to an overall shortfall in income of £359k. The largest areas contributing to this income shortfall are; Policy & Corporate (Planning income) and Commercial (Helpline and Digital Broadband income). In addition, there is an overspend of £178k forecast, with the main areas being Policy & Corporate (across a number of areas) and Commercial (Helpline and Events), although there are underspends being forecast within Community, Customers and Environment which are partially offsetting these.

Service	Forecast outturn		
	Expenditure	Income	Net
	£'000	£'000	£'000
Policy & Corporate (incl. CDC)	221	109	330
EMT	5	-	5
Commercial	132	205	337
Community	(55)	39	(16)
Customers	(70)	61	(9)
Environment	(55)	(55)	(110)
Total all services	178	359	537

- 4.11 Appendix C sets out details of all forecast variances against service budgets at the year-end totalling £537k. To provide some context on the scale of the variances shown in Appendix C, a percentage value has been included within the comments which shows the proportion of the relevant budget that it represents. For example, an underspend due to vacant posts or the vacancy factor would be expressed as a proportion of the total employees budget for that area.

Corporate / Technical Items

- 4.12 The budget includes a number of corporate and technical budget areas such as net interest earnings, the provision to repay debt, pension costs and some non-service specific grants. Appendix D sets out further details of the forecast outturn for corporate and technical items.

Summary position and action proposed

- 4.13 The forecast outturn shows a potential net overspend of £44k. There are a number of factors which are contributing to this position, with the main ones being:-

- Less income due to economic factors, e.g. planning
- Less income caused by external delays
- Less income in some trading areas
- More expenditure in trading areas
- Gains from technical budgets such as Business Rates Revaluation Tariff and Council Tax Sharing Agreement
- Increased income from the recovery of housing benefit overpayments

- 4.14 The impact of budget reviews should be viewed alongside the forecast outturn for the year. Outturn reviews in previous years have been undertaken to ensure that budgets reflect best estimates and do not contain “contingencies”. This does mean that services have less scope to absorb unforeseen budget pressures and any requests for new spending that may arise in-year.
- 4.15 The financial position for 2017/18 was considered as part of the proposals set out in the 2018/19 budget and it was reported that for the purpose of assessing any impact on balances the outturn position was assumed to be an overspend of £200k. The updated forecast position is therefore lower than this assumption, however, there remain a number of risks to the forecast in particular in respect of planning income, commercial trading targets and corporate technical budgets such as those relating to benefits and business rates. In summary, it remains appropriate to assume that the final outturn position could differ to the forecast shown but that this is still expected to be within the budget assumption.
- 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 final end of year position will be reported for scrutiny purposes and the impact of this on balances will be considered by Cabinet as part of the budget strategy for 2019/20.

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 December 2017, the HRA is showing a net underspend of £656k compared to the profiled budget for the same period. This is primarily due to lower expenditure on Premises costs of £256k, and £293k more income than budgeted.

Position to date

- 4.18 Premises related costs are showing an underspend of £256k as at the end of December 2017. Overall, there is a net underspend of £70k 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 £85k on Grounds Maintenance budgets, £36k on Utility and Water costs and £32k on Cleaning Contract costs which relate to the timing of expenditure.
- 4.19 We have received £293k more income at the end of December 2017. This primarily reflects the net impact of less rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the level of Right to Buy sales.

Forecast Outturn

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

5. Standard References

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

6. Strategic Plan references

- 6.1. The priorities within the Strategic Plan are reflected in the Medium Term Financial Forecast. This makes assumptions regarding government grant and Council Tax income, and identifies where necessary savings will be found in order to achieve a balanced budget. The 2017/18 revenue budget was prepared in accordance with the Strategic Plan's priorities, in the context of the Council facing growing financial pressures. Budget monitoring enables the financial performance against these priorities to be assessed.

7. Financial implications

- 7.1. As set out above.

8. Risk management implications

- 8.1. Risk management is used throughout the budget cycle, and this is reflected in the strategic risk register. The 2017/18 revenue budget report that was approved by Council in February 2017 detailed a number of potentially significant risk areas that had been identified during the budget process. In addition, Heads of Service identify a number of both positive and negative risk areas during the year.

Background Papers

None

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

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core		(38)	-	(38)	9	-	9
	Total	(38)	-	(38)	9	-	9
Executive Management Team							
	EMT	(8)	-	(8)	5	-	5
	Total	(8)	-	(8)	5	-	5
Commercial							
	Assistant Director	22	-	22	-	-	-
	Economic Growth	58	63	121	-	54	54
	Commercial - Trading	167	33	200	134	131	265
	Sport & Leisure	(21)	156	135	(2)	20	18
	Total	226	252	478	132	205	337
Community							
	Assistant Director	-	-	-	-	-	-
	Cultural Services	(6)	6	-	(12)	12	-
	Community Zones	(12)	(12)	(24)	(24)	(7)	(31)
	Community Development	(72)	20	(52)	(18)	14	(4)
	Colchester Museums	(4)	24	20	(1)	20	19
	Subtotal	(94)	38	(56)	(55)	39	(16)
	Colchester & Ipswich Museums	16	(40)	(24)	99	(23)	76
	Total	(78)	(2)	(80)	44	16	60
Customer							
	Assistant Director	6	-	6	8	-	8
	Customer Operations	(32)	-	(32)	26	-	26
	Professional Support Units	(49)	33	(16)	(29)	41	12
	Customer Demand & Research	1	4	5	8	5	13
	Customer Solutions	(37)	77	40	(88)	15	(73)
	Local Taxation & NNDR	(13)	21	8	5	-	5
	Subtotal	(124)	135	11	(70)	61	(9)
	Benefits - Payments & Subsidy	(1,700)	4,418	2,718	-	(150)	(150)
	Total	(1,824)	4,553	2,729	(70)	(89)	(159)

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
Environment							
	Assistant Director	16	-	16	12	-	12
	Recycling & Fleet	(171)	(85)	(256)	11	(40)	(29)
	Car Parking	(88)	(51)	(139)	(76)	(25)	(101)
	Licensing & Food Safety	9	(11)	(2)	2	(7)	(5)
	Environmental Health Services	14	15	29	27	8	35
	Electoral Services	80	(41)	39	-	-	-
	Land Charges	-	21	21	17	9	26
	Building Control	(45)	(26)	(71)	(48)	-	(48)
	Subtotal	(185)	(178)	(363)	(55)	(55)	(110)
	Parking Partnership (NEPP)	217	(70)	147	82	(251)	(169)
	Total	32	(248)	(216)	27	(306)	(279)
Policy & Corporate							
	Assistant Director	11	-	11	15	-	15
	Finance	46	-	46	61	-	61
	ICT and Communications	(97)	(13)	(110)	(6)	(12)	(18)
	People and Performance	(8)	(2)	(10)	1	4	5
	Governance	28	(4)	24	64	(3)	61
	Place Strategy	57	(69)	(12)	9	-	9
	Planning	(24)	182	158	11	150	161
	Housing	43	(113)	(70)	4	(25)	(21)
	Corporate Asset Management	19	(25)	(6)	30	(11)	19
	Commercial & Investment Properties	(6)	(29)	(35)	23	6	29
	Garden Communities	39	-	39	-	-	-
	Total	108	(73)	35	212	109	321
	Total (excl. Benefits, NEPP & JMC)	(115)	174	59	178	359	537
	Total (all)	(1,582)	4,482	2,900	359	(65)	294

Current Budget Variances and Forecast Outturn Variances by Subjective Group

		Position to date			Forecast Outturn		
		Actual	Budget	Variance	Actual	Budget	Variance
	Subjective	£'000	£'000	£'000	£'000	£'000	£'000
	Expenditure						
	Employees	19,731	19,491	240	25,774	25,772	2
	Premises Related	5,584	5,657	(73)	7,265	7,214	51
	Transport Related	1,885	1,964	(79)	2,910	2,912	(2)
	Supplies & Services	7,719	7,748	(29)	11,065	10,884	181
	Third Party Payments	1,639	1,916	(277)	2,485	2,539	(54)
	Transfer Payments	203	100	103	100	100	0
	Capital Financing Costs	0	0	0	110	110	0
	Total	36,761	36,876	(115)	49,709	49,531	178
	Income						
	Government Grant	(1,382)	(1,407)	25	(1,624)	(1,606)	(18)
	Other Grants & Reimbursements	(2,637)	(2,603)	(34)	(3,481)	(3,449)	(32)
	Customer & Client Receipts	(16,555)	(16,730)	175	(21,037)	(21,436)	399
	Income-Interest	(90)	(98)	8	(121)	(131)	10
	Inter Account Transfers	0	0	0	0	0	0
	Total	(20,664)	(20,838)	174	(26,263)	(26,622)	359
	Net	16,097	16,038	59	23,446	22,909	537

Forecast Outturn Variances

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Executive Management Team				
EMT	5	-	5	Overspend forecast on employee costs due to maternity cover (0.5%)
Commercial Services				
Economic Growth	-	54	54	Costs are forecast to be on budget overall although this includes savings from vacant posts, offset by additional temporary agency cover costs. Digital income is forecast to be £80k (80%) below target by year end, which has been partly offset by grant income in relation to Housing Development work.
Commercial - Trading	134	131	265	Commercial management employee savings forecast of £18k (16%). Monitoring & Response services are forecasting a £44k overspend on costs, mainly on employees (10%). The service is also forecasting a shortfall in Helpline income of £147k (13%) by year end. Events team forecasting to be £91k overspent by year-end, of which £25k is on casual staff and £82k on external event costs, including Christmas events. This overspend is offset by a £16k surplus of income. Savings and income generation activities have been put in place to prevent any further increase in the forecast overspend.
Sport and Leisure	(2)	20	18	Employee costs are forecast to be on budget, but savings on supplies costs have been made to help offset the forecast overspend on utilities. An overall income shortfall of £20k is currently predicted across the service which includes a £75k (7%) shortfall related to Lifestyle Memberships. To mitigate this shortfall, new membership packages have been introduced, increased marketing activity around Activia Gym and Aqua Springs and a number of new

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				income streams have been identified as well as surpluses from some areas including pools and parking.
Community Services				
Cultural Services	(12)	12	-	There is a £12k underspend forecast (2%) which is offset by less income from the Visitor Information Centre (9%).
Community Zones	(24)	(7)	(31)	A number of underspends totalling £73k (linked to maintenance, scheduled works and salaries) are helping to offset overspends of £37k (on essential tree works and Castle Path Park repairs). Savings on non-essential projects totalling £16k have been agreed (planting & Tree warden's scheme). Small amount of additional income being forecast (0.4%).
Community Development	(18)	14	(4)	Small utility saving at Lion Walk (14.3%) is offset by shortfall in Lion Walk income (24%). £20k underspend forecast on Locality budgets (18%) and £3k on enabling funds (50%).
Colchester Museums	(1)	20	19	Small overspend in staffing costs offset by publicity costs saving. £20k less income on admissions (4.8%).
Colchester and Ipswich Museums	99	(23)	76	CIMS is a ring-fenced budget. Staff vacancies and some maternity leave have created a £60k salary savings (3.2%). There is a £55k storage cost pressure in Ipswich and a £92k overspend on Supplies & Services (32%). A net overspend of £11k is linked to the MRC move. Retail is forecasting £17.5k more net profit (7%).
Customer Services				
Assistant Director - Customer	8	-	8	Overspend relates to the Personal Assistant to the Assistant Director post (6%).
Customer Operations	26	-	26	Forecast overspend of £32k on the Print and Postage budget. This area of spend has not reduced due to a delay in the implementation of new software needed to enable this (31%). Underspend on employee costs within Benefits Processing (£20k) due to vacant posts. (3.9%)

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				Overspend of £15k on Call Centre employee costs due to extra resource taken on to cover secondments. The staff on secondment returned to the call centre earlier than planned. (2.9%).
Professional Support Units	(29)	41	12	The forecast underspend relates to licences for the new enterprise system (Arcus) for Environmental Services not being required until the system is fully installed, tested and implemented. (26.19%) The majority of the £50k income target linked to training for third parties will not be achieved (82.65%)
Customer Demand & Research	8	5	13	£2k overspend relates to website development (30.91%) and allowances have been made in 18/19 to reflect ongoing costs. There are other small overspends across this area. £5k less income from commissioned project work with external organisations (20%).
Customer Solutions	(88)	15	(73)	The majority of the underspend relates to employee costs within Welfare Reform (£53k), MacMillan (£30k) and the Income Team (£8k) due to staff changes, vacancies not recruited to and secondments from this area at Manager level. Income is forecast to be £15k less due to less costs to claim from MacMillan. (4.3%)
Local Taxation & NNDR	5	-	5	Across the teams there is an £8k overspend on employee costs (2%), which is partially offset by an underspend on court fees due to reduction in Council Tax cases going to liability order stage.
Environmental Services				
Assistant Director - Environment	12	-	12	Overspend relates to Assistant Director recruitment. Any further vacancies in year within the service will contribute towards offsetting this overspend.
Recycling and Fleet	11	(40)	(29)	A £20k overspend is forecast on Trade tipping costs (9.75%) which is partially offset by a £9k underspend on Transport Related expenses. Recycling Credits are forecast to be £130k more than the budget (11.3%), which is mainly offset by a shortfall of £90k Glass income. (81.8%)

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Car Parking	(76)	(25)	(101)	An underspend resulting from a one-off gain of £85k relates to the refund of NEPP off street reserves that were due to Colchester. Also small overspends forecast on NNDR, repairs, maintenance and security (1%). Income is forecast to be £25k (0.6%) more than the budget based on the income received to date.
Licensing and Food Safety	2	(7)	(5)	£7k more Licencing income is forecast by year end (1.47%) which is slightly offset by transport related expenses.
Environmental Health Services	27	8	35	An £11k employee overspend reflects the difference between external funding received and the cost of a fixed term Public Health Coordinator Post. (26.94%) A £9k overspend is forecast on Private Sector Housing Legal Fees, these costs were unbudgeted but are recoverable subject to the outcome of the appeal case.
Land Charges	17	9	26	Following the implementation of new software within Land Charges a temporary additional resource has been required to assist with the transition and data cleansing to future proof the service and enable future self-serve provision. (24.73%) Search Fees income forecast a £11k shortfall by year end. (3.45%)
Building Control	(48)	-	(48)	Building Control forecast a £53k saving on employees due to vacancies (15.94%)
Parking Partnership	82	(251)	(169)	The North Essex Parking Partnership have implemented a new structure to find the savings required from the review of the Essex parking partnerships.
Policy & Corporate (incl. CDC)				
Corporate & Democratic Core	9	-	9	Forecast overspend on internet banking charges slightly offsetting an underspend on banking transaction charges. (3%)
Assistant Director Policy & Corp	15	-	15	Unbudgeted spend of £7k for IIP re-accreditation and £4k relating to the Planning and Housing Review (which will deliver savings in 18-19). (100%). Furthermore, there are overspends in several areas of Policy and Corporate due to the late achievement of a savings target (achieved for the 18-19 budget).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Finance	61	-	61	Forecast overspend relating to extra systems support post covering staff absence – now resolved to prevent overspend in 2018/19 and not having had sufficient vacant posts yet this year to achieve the budget target for vacancies. (7.8%) There is £5k unbudgeted spend relating to new borrowing. (100%).
ICT and Communications	(6)	(12)	(18)	Forecast underspend across ICT employee costs due to vacant posts (3.3%) offsetting overspend on broadband (84%), marketing costs (5.7%), maternity costs of £10k (100%). Unbudgeted income of £11k for roundabout advertising received (100%).
People & Performance	1	4	5	Small forecast overspend across all spend (0.1%). Less income from CBH SLA (27.5%)
Governance	64	(3)	61	Overspend across salaries due to maternity cover and not having had sufficient vacant posts yet this year to achieve the budget target for vacancies. (4.6%). Net pressure of £25k relating to lower procurement hub rebates than budgeted. (26.9%) More legal income than budget (7.4%).
Place Strategy	9	-	9	Whole service in year saving targets not fully found (50%).
Planning	11	150	161	Overspend forecast on employee costs (1.1%). Less income forecast, this budget was increased for this year (11.9%).
Housing	4	(25)	(21)	Forecast overspend relates to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (2%). More income from Homeless Persons Unit than assumed in the budget (45%).
Corporate Asset Management	30	(11)	19	Overspend on the Rowan House service charge due to costs of £23k relating to the previous financial year being payable (16.3%). Overspend on Town Hall electricity (16%) and radio conference system (100%). One-off income for Town Hall Car Park (75%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Commercial & Investment Properties	23	6	29	Commercial properties have forecast cost pressures on unplanned security of £10k and ongoing cesspool issues of £6k in North Colchester, as well as extra legal costs of £7k. Income shortfalls forecast on North Colchester Leisure site of £100k (100%) and Culver Centre of £65k (13.6%). These are mostly offset by some new rental income including Amphora Place £33k (80%) and an additional £70k related to housing wayleaves

Corporate / Technical Items

The following table sets out a further explanation of the technical items included in the table at paragraph 4.8 above:

	Period 9 Forecast Outturn Variance £000's	Commentary
Business Rate Revaluation Tariff Adjustment	(200)	The 2017 revaluation was designed to have a neutral effect on the Councils retained income. However, there were some late changes to rateable values in March which were not accounted for in the Government's baseline figures. We are expecting changes to be made to account for this, however, it is not clear if this will occur in 17/18. We can still deliver this saving to the budget through use of business rates reserve if necessary.
Council Tax Sharing Agreement	(75)	Some money has been built up to off-set the risk of the agreement coming to an end. Some of this is being used to offset the in-year position.
Extra in-year Govt Grants	(40)	We receive a number of grants from the Government (e.g. Department for Work and Pensions) for new burdens etc. Whilst some funding will be required to be used, it is considered that some can be offered as a saving this financial year.
Housing Benefit Overpayments Recovery	(150)	The budget includes an amount for the recovery of housing benefit overpayments, which is where claimants have been overpaid and we recover the money. Additional staff time has been allocated to this area, therefore we are forecasting more income to be recovered than estimated in the budget.
Business Rates Revaluation	(13)	An allowance was made for the estimated impact of the revaluation of Business Rates on CBC properties. The actual cost is less than the budget, therefore this underspend is now included in the forecast.
Pensions Auto-Enrolment	(50)	An allowance was made for the potential recurring costs of increased pension costs as a result of auto-enrolment. The number of staff deciding to join the pension scheme has been lower than expected and therefore any costs in year have simply been reflected in existing budgets.
Local Authority Carbon Management (LACM) Saving	20	A balance on the saving target currently exists.
Procurement Saving	15	A balance on the saving target currently exists.
Total	(493)	

December 2017 Account Description	Current Period - December 2017			Forecast Year-End Position		
	Profiled Budget to Period 9 £'000	Actual to Period 9 £'000	Variance (under) / over £'000	Annual Budget £'000	Projected Outturn £'000	Variance (under) / over £'000
HRA - Direct & Non-Direct						
EXPENDITURE						
Employees	81	78	(3)	109	109	-
Premises Related	5,090	4,834	(256)	6,631	6,483	(148)
Transport Related	-	1	1			
Supplies & Services	571	520	(51)	822	822	-
Third Party Payments	2,911	2,895	(16)	3,503	3,503	-
Transfer Payments	110	72	(38)	168	168	-
Support Services	3,242	3,242	-	4,354	4,354	-
Capital Financing Costs	(896)	(896)	-	13,411	13,809	398
TOTAL EXPENDITURE	11,109	10,746	(363)	28,998	29,248	250
INCOME						
Other Grants & Reimbursements	(23)	(23)	-	(178)	(178)	-
Customer & Client Receipts	(22,521)	(22,815)	(294)	(29,561)	(29,811)	(250)
Income-Interest	(24)	(23)	1	(32)	(32)	-
Inter Account Transfers	896	896	-	818	818	-
TOTAL INCOME	(21,672)	(21,965)	(293)	(28,953)	(29,203)	(250)
TOTAL NET - HRA	(10,563)	(11,219)	(656)	45	45	-

6 March 2018

Report of	Assistant Director, Policy & Corporate	Author	Graham Coleman
Title	Capital Expenditure Monitor 2017/18		☎ 282741
Wards affected	Not applicable		

1 Executive Summary

- 1.1 The Capital Programme contains larger, project type expenditure that relates to the creation or enhancement of an asset. It is a rolling programme, so any unspent balance is taken forward into the subsequent financial year. This report shows expenditure against capital schemes during the first nine months of 2017/18. The financial position can be summarised as follows:
- Accrued capital spending totalled £10.9m as at the end of quarter 3.
 - The Capital Programme has increased by £1.8m since quarter 2.
 - There is a projected net underspend of £255k against the Capital Programme.
 - A total of seven schemes are currently being categorised as 'Amber' by the budget holders.

2 Action required

- 2.1 The Panel is asked to review the level of capital spending during the first nine months of 2017/18, and forecasts for future years.

3 Reason for scrutiny

- 3.1 Monitoring capital spending is important to ensure that spending on projects is within agreed scheme budgets, and the overall programme is delivered within budget.
- 3.2 This report also gives the Panel the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets.

4 Background information

- 4.1 This report sets out details of spending in the first nine months of the financial year 2017/18 (April to December) and revised forecasts for future years, including new capital funding and changes to the capital programme. The report includes capital expenditure in respect of the Housing Investment Programme, including expenditure on the Council's housing stock. It also includes the capital resources that form part of the Revolving Investment Fund (RIF).
- 4.2 Accrued capital spending for the first nine months of the year totalled £10.9 million. This represents 52% of the projected spend for 2017/18. **Appendix A** sets out details of spending on all schemes, along with expenditure forecasts provided by budget managers to provide an indication of progress against their expectations for schemes in monetary terms.
- 4.3 It should be noted that the Capital Programme mainly consists of schemes where spending is planned across more than one year. Any apparent variances from the forecast position for the year are unlikely to indicate any over or under spending against projects as a whole, but tend to relate to timing differences between anticipated payments and actual payments to contractors. Any significant divergences from planned activity would be brought to the Panel's attention in the following paragraphs.
- 4.4 The table below provides a summary of the capital programme by service area:

	Total Prog.	2017/18 Spend Qtr 3	2017/18 Forecast	Future Years Forecast	(Surplus) / Shortfall
Service / Scheme	£'000	£'000	£'000	£'000	£'000
Communities	3,594	1,199	2,607	1,000	13
Environment	4,139	901	1,197	2,674	(268)
Policy & Corporate	1,892	205	510	1,382	0
Commercial	1,631	1,180	1,437	194	0
Revolving Investment Fund (RIF)	41,055	2,197	4,525	36,530	0
Completed Schemes	724	728	724	0	0
Capitalised Maintenance	85	71	85	0	0
Housing Revenue Account	12,779	4,400	9,840	2,939	0
Total Capital Programme	65,899	10,881	20,925	44,719	(255)

- 4.5 Changes to the Capital Programme are regularly made to reflect changes in funding and the addition of new schemes. The capital programme has been increased by £1.8m this quarter which includes planned utilisation of 1 for 1 right to buy receipts (£1.2m), £200k for Castle Park improvements, £175k for purchase of properties for the Housing Revenue Account, £115k for Charter Hall improvements, a £200k grant for the Heat Network, a £300k reduction in the borrowing requirement for phase 2 of Amphora Place, and various smaller funding changes. These changes to the Capital Programme are shown in **Appendix B**.
- 4.6 The 2018/19 budget report to Council on 21 February 2018 outlines details of proposals to include the following items in the capital programme. If approved, these will be included in future capital monitoring reports.

Scheme	£m	
Colchester Amphora Homes Ltd	28.8	The estimated borrowing requirement by the Council to be drawn down between 2018 and 2024.

Scheme	£m	
Purchase of properties for use as temporary accommodation	2.9	To purchase up to 16 homes to be used as temporary accommodation for homeless households.
Waste Fleet	4.0	The first tranche of a new waste fleet required once the current leasing arrangements expire from the beginning of 2019/20.
Total	35.7	

- 4.7 The most significant areas of planned expenditure for the year are detailed in **Appendix C**, along with the actual expenditure and updated commentary from budget holders.
- 4.8 **Appendix A** includes a RAG (Red, Amber, Green) status of overall project performance against capital schemes. Although there are no 'Red' schemes, a total of seven schemes were classed as 'Amber' by the budget managers. The current position against these schemes is detailed in **Appendix D** to this report.
- 4.9 There is currently a projected net underspend of £255k against the Capital Programme, which is set out in the following table. These items were referred to the January meeting of Cabinet for consideration as part of the 2018/19 budget report.

Scheme	Over/ (Under) £'000	
General Fund position		
Waste Collection Strategy	(268)	The primary reason for the under-spend was that the cost of the wheeled bins came in under expectations due to the price obtained from the winning contractor. It was also possible to swap two vehicles on the fleet through our contractor for wheeled bin collections rather than modify others which resulted in a saving.
Oak Tree Community Centre Roof	13	Temporary weathertight works to the roof were actioned whilst the permanent roof works were being specified and quoted for. Some unforeseen works will potentially exceed funding available, so project may overspend budget by £13k. All work finished and project complete 23/11/17.
Subtotal	(255)	

5 Strategic Plan references

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

6 Financial implications

- 6.1 As set out above.

7 Risk management implications

- 7.1 Risk management issues are considered as part of all capital projects.

8 Other standard references

- 8.1 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.

Appendices

Appendix A – Capital Programme 2017/18

Appendix B – Changes to the Capital Programme 2017/18

Appendix C – Significant areas of planned spend 2017/18

Appendix D – ‘Amber’ schemes Qtr 3 2017/18

Background Papers

None

Service / Scheme	Total Programme £'000	Spend to Q3 £'000	Projected Expenditure for Year			(Surplus) / Shortfall £'000	RAG Status	
			2017/18 £'000	2018/19 £'000	2019/20 £'000		Q3	Q2
SUMMARY								
Communities	3,593.7	1,199.2	2,606.8	1,000.0	0.0	13.1		
Environment	4,139.0	901.0	1,197.1	1,772.9	901.0	(268.0)		
Policy & Corporate	1,892.1	205.0	510.1	709.0	673.0	0.0		
Commercial	1,631.6	1,179.6	1,437.4	194.2	0.0	0.0		
Revolving Investment Fund (RIF)	41,055.0	2,197.0	4,524.7	18,474.3	18,056.0	0.0		
Completed Schemes	724.4	728.4	724.4	0.0	0.0	0.0		
Capitalised Maintenance Schemes	85.0	70.9	85.0	0.0	0.0	0.0		
Total (General Fund)	53,120.8	6,481.1	11,085.5	22,150.4	19,630.0	(254.9)		
Housing Revenue Account	12,778.6	4,399.6	9,840.1	2,938.5	0.0	0.0		
Total Capital Programme	65,899.4	10,880.7	20,925.6	25,088.9	19,630.0	(254.9)		
COMMUNITIES								
Oak Tree Community Centre Roof	50.0	40.7	63.1	0.0	0.0	13.1	A	A
Lion Walk Activity Centre	40.0	30.6	40.0	0.0	0.0	0.0	G	G
Garrison Gym Rebuild	609.7	84.9	609.7	0.0	0.0	0.0	A	A
Cook's Shipyard Playsite Wivenhoe S106	9.2	1.6	9.2	0.0	0.0	0.0	G	G
Old Heath Recreation Ground Improvements	37.1	7.0	37.1	0.0	0.0	0.0	G	G
Wivenhoe Adult Gym	16.0	0.0	16.0	0.0	0.0	0.0	G	G
Castle Park Cricket Pavilion Extension S106	125.0	0.0	125.0	0.0	0.0	0.0	G	G
Castle Park Improvements	200.0	0.0	200.0	0.0	0.0	0.0	G	-
Tiptree P C - Store & WCs S106	83.0	0.0	83.0	0.0	0.0	0.0	G	G
King George V Play Area S106	10.0	10.0	10.0	0.0	0.0	0.0	G	-
St Luke's Church Hall Tiptree	52.9	0.0	52.9	0.0	0.0	0.0	G	-
Longridge Toddler Play Area	25.0	0.0	0.0	25.0	0.0	0.0	G	-
Highwoods Country Park - Coffee Shop improvements	25.0	0.0	0.0	25.0	0.0	0.0	G	-
Walls - new merged scheme	299.6	173.4	249.6	50.0	0.0	0.0	G	G
Mercury Theatre Redevelopment Phase 1	207.8	143.2	207.8	0.0	0.0	0.0	G	G
Mercury Theatre Redevelopment Phase 2	1,000.0	0.0	100.0	900.0	0.0	0.0	G	G
Relocation of Museum Resource Centre	729.4	707.8	729.4	0.0	0.0	0.0	G	G
Cemetery Extension	38.6	0.0	38.6	0.0	0.0	0.0	G	G
Cemetery Exterior Lighting	30.6	0.0	30.6	0.0	0.0	0.0	G	G
Replacement of Cremators	4.8	0.0	4.8	0.0	0.0	0.0	G	G
TOTAL - Communities	3,593.7	1,199.2	2,606.8	1,000.0	0.0	13.1		
ENVIRONMENT								
Shrub End Depot	840.5	0.0	0.0	840.5	0.0	0.0	A	A
Waste Collection Strategy	856.5	570.7	588.5	0.0	0.0	(268.0)	G	G
St Johns Car Park	8.6	0.8	8.6	0.0	0.0	0.0	G	G
Shrub End - Fuel Tank	50.0	0.0	50.0	0.0	0.0	0.0	G	-
Mandatory Disabled Facilities Grants	2,301.0	292.0	500.0	900.0	901.0	0.0	A	A
Private Sector Renewals - Loans and Grants	82.4	37.5	50.0	32.4	0.0	0.0	G	G
TOTAL - Environment	4,139.0	901.0	1,197.1	1,772.9	901.0	(268.0)		
POLICY & CORPORATE								
Assistance to Registered Housing Providers	36.0	0.0	0.0	36.0	0.0	0.0	G	G
Use of 1-4-1 Right to Buy Receipts	1,707.6	139.9	361.6	673.0	673.0	0.0	G	G
Local Authority Carbon Management (LACM)	148.5	65.1	148.5	0.0	0.0	0.0	G	G
TOTAL - Policy & Corporate	1,892.1	205.0	510.1	709.0	673.0	0.0		
REVOLVING INVESTMENT FUND								
Northern Gateway North	181.3	41.8	141.3	40.0	0.0	0.0	G	G
CNGN - Mile End Cricket	200.0	7.3	100.0	100.0	0.0	0.0	G	G
CNGN - Sports Hub	24,100.0	344.5	1,182.0	7,762.0	15,156.0	0.0	A	A
Northern Gateway South	1,007.9	507.3	557.9	450.0	0.0	0.0	A	A
CNG - Marketing & Branding	100.0	0.0	25.0	75.0	0.0	0.0	G	-
Town Centre	5,262.7	473.8	735.8	4,526.9	0.0	0.0	G	G
Jacks - St Nicholas St	445.1	101.8	445.1	0.0	0.0	0.0	G	G
Sheepen Road	690.9	512.3	690.9	0.0	0.0	0.0	G	G
Sheepen Road Phase 2	2,200.0	123.7	200.0	2,000.0	0.0	0.0	G	-
District Heating Project North	238.2	46.4	208.2	30.0	0.0	0.0	G	G
Colchester Northern Gateway Heat Network	5,900.0	0.0	0.0	3,000.0	2,900.0	0.0	G	G
East Colchester Enabling Fund	225.0	0.0	5.0	220.0	0.0	0.0	G	G
Breakers Park	69.0	0.0	69.0	0.0	0.0	0.0	G	G
Surface Water Flooding - Distillery Lane/Haven Road	73.4	0.0	73.4	0.0	0.0	0.0	A	A
Site Disposal Costs	4.8	0.0	4.8	0.0	0.0	0.0	G	G
Moler Works Site	40.7	37.6	40.7	0.0	0.0	0.0	G	G
CMP Phase 3 - PV Systems	95.4	0.0	0.0	95.4	0.0	0.0	G	G
Business Broadband	20.6	0.5	20.6	0.0	0.0	0.0	G	G
Digital Strategy - feasibility	200.0	0.0	25.0	175.0	0.0	0.0	G	-
TOTAL - RIF	41,055.0	2,197.0	4,524.7	18,474.3	18,056.0	0.0		

Service / Scheme	Total Programme £'000	Spend to Q3 £'000	Projected Expenditure for Year			(Surplus) / Shortfall £'000	RAG Status	
			2017/18 £'000	2018/19 £'000	2019/20 £'000		Q3	Q2
COMMERCIAL								
CCTV Monitoring	111.1	0.0	111.1	0.0	0.0	0.0	G	G
Open Space Provision	100.0	0.0	100.0	0.0	0.0	0.0	G	G
Events - chairs	33.0	31.7	33.0	0.0	0.0	0.0	G	G
Charter Hall - improvements	115.0	0.5	0.5	114.5	0.0	0.0	G	G
LWC - Health & Fitness Extension	972.0	947.2	960.0	12.0	0.0	0.0	G	G
LWC - Aqua Springs Refurbishment	89.7	1.3	22.0	67.7	0.0	0.0	G	G
LWC - Leisure Pool Refurbishment	5.8	(6.1)	5.8	0.0	0.0	(0.0)	G	G
LWC - Coffee Shop Extension	15.0	15.0	15.0	0.0	0.0	0.0	G	G
Tiptree Sports Centre - new pitch	190.0	190.0	190.0	0.0	0.0	0.0	G	G
TOTAL - Commercial	1,631.6	1,179.6	1,437.4	194.2	0.0	(0.0)		
COMPLETED SCHEMES (OR WHERE RETENTION ONLY OUTSTANDING)								
Abberton Community Fund S106	100.0	100.0	100.0	0.0	0.0	0.0		
Priory Street Car Park	0.0	6.2	0.0	0.0	0.0	0.0		
Colchester Leisure World - Dryside Changing Rooms	3.2	3.2	3.2	0.0	0.0	0.0		
Tiptree Memorial Garden S106	42.0	42.0	42.0	0.0	0.0	0.0		
Town Hall - Bell Tower Repairs	0.0	(2.2)	0.0	0.0	0.0	0.0		
Stanway Village Hall	539.1	539.1	539.1	0.0	0.0	0.0		
Castle Park Sensory Garden S106	17.6	17.6	17.6	0.0	0.0	0.0		
Industrial Vacuum Cleaner	17.9	17.9	17.9	0.0	0.0	0.0		
Creative Business Centre	4.6	4.6	4.6	0.0	0.0	0.0		
TOTAL - Completed Schemes	724.4	728.4	724.4	0.0	0.0	0.0		
CAPITALISED MAINTENANCE								
Colchester Business Centre	40.0	33.3	40.0	0.0	0.0	0.0	G	G
St John's Car Park Surface Repairs	45.0	37.6	45.0	0.0	0.0	0.0	G	-
TOTAL - CAPITALISED MAINTENANCE	85.0	70.9	85.0	0.0	0.0	0.0		
HOUSING REVENUE ACCOUNT								
Housing Improvement Programme	9,338.0	3,314.1	7,923.0	1,415.0	0.0	0.0	G	G
Adaptations to Housing Stock	600.0	474.2	600.0	0.0	0.0	0.0	G	G
Sheltered Accommodation Review	1,112.0	475.0	1,062.0	50.0	0.0	0.0	G	G
Housing ICT Development	413.5	76.2	80.0	333.5	0.0	0.0	G	G
Higher Value Assets Levy	1,140.0	0.0	0.0	1,140.0	0.0	0.0	G	G
Council House New Build	0.0	2.1	0.0	0.0	0.0	0.0	G	G
Purchase of properties - HRA	175.1	58.0	175.1	0.0	0.0	0.0	G	G
TOTAL - Housing Revenue Account	12,778.6	4,399.6	9,840.1	2,938.5	0.0	0.0		

Changes to the Capital Programme 2017/18

£'000	Detail
Capital Receipts	
1,152	1 for 1 Right to Buy receipts from reserve
52	Purchase of properties for HRA from reserve
25	Relocation of Museum Resource Centre
1,229	Subtotal Capital Receipts
Revenue Contributions	
200	New Homes Bonus – Castle Park improvements
115	New Homes Bonus – Charter Hall improvements
25	New Homes Bonus – Highwoods Country Park Coffee Shop
(33)	Remove unused funding – various
45	Building Maintenance Programme – St John's car park surface repairs
15	Longridge toddler play area
10	Community enabling money – Wivenhoe adult gym
21	Building Maintenance Programme – MRC relocation project
50	Shrub End – Fuel tank – from reserve
448	Subtotal Revenue Contributions
Section 106	
53	St Luke's Church Hall, Tiptree
10	King George V play area
10	Longridge toddler play area
123	Purchase of properties for HRA
196	Subtotal Section 106
External Borrowing	
(300)	Reduced borrowing requirement for Sheepen Road phase 2
(300)	Subtotal External Borrowing
External Funding	
200	Heat Network grant
53	Northern Gateway – Drainage – external contributions
253	Subtotal External Funding
1,826	Total Change

Capital Programme – Significant areas of planned spend 2017/18

Scheme	Forecast for year £'000	2017/18 Spend Qtr. 3 £'000	Commentary
Commercial			
Leisure World – health & fitness extension	960	947	Extension of Aactiva Gym & Redevelopment of offices to provide additional Studio space. Work commenced on 3 April and was completed on 8 September 2017. It is expected that all of the budget will be spent.
Communities			
Relocation of Museum Resource Centre	729	708	The functions previously undertaken at the MRC successfully moved to our storage facility at Heckworth Close in November. The MRC building is currently under offer.
Garrison Gym Rebuild	610	85	The Garrison Gym project is progressing and building works for the final phase are due to complete early in 2018 after which the Mercury Theatre will take up temporary tenancy of the building, which will also be available for wider community use. During 2018 a formal process is likely to commence for the longer term tenancy of the building and community groups and voluntary sector organisations have already participated in an open afternoon to view the building and discuss the sort of commitment this would require. This approach has provided a short term agreement that secures the building and opens it up to community use as soon as possible. At the same time it provides possible longer term plans to be developed by community groups, either independently or in partnership, and possible funding streams to be identified for sustainable longer term occupancy and management of the building. Work is progressing well and should complete by Mid-Feb. Currently progressing within budget.
Environment			
Waste Collection Strategy	588	570	The key aims of the waste collection changes are to reduce residual waste and increase recycling. The primary reason for the under-spend was that the cost of the wheeled bins came in under expectations due to the price obtained from the winning contractor. It was also possible to swap two vehicles on the fleet through our contractor for wheeled bin collections rather than modify others, which resulted in a saving.

Capital Programme – Significant areas of planned spend 2017/18

Scheme	Forecast for year £'000	2017/18 Spend Qtr. 3 £'000	Commentary
Revolving Investment Fund			
Northern Gateway - Sports Hub	1,182	345	Detailed cost review completed including value engineering omission of secondary items and revised funding package agreed at Full Council in November 2017. Planning application has now been submitted, and the procurement strategy will go to Cabinet on 14 March. Capital expenditure from early Summer 2018, with fees expenditure mostly in 2017/18.
Northern Gateway South	558	507	The CBC Planning Committee has made a resolution to grant consent to the Turnstone full application. This decision will be subject to a judicial review challenge. S106 negotiations between CBC Planning Services and Turnstone are complete. The CNG Drainage Project is now complete and the system commissioned, however a full review of the project is currently being undertaken to understand the potential overspend risk.
Town Centre	736	474	Enabling monies to support regeneration projects in the Town Centre. Already acquired a group of properties in Osborne Street and Arthur Street and continue to purchase further properties as part of the Council's long term plans to deliver a scheme in Vineyard Gate.
Housing Revenue Account			
Housing Improvement Programme	7,923	3,314	Programme to maintain and improve the council housing stock to the Colchester standard, the programme is devised using information from the Council's 30 year asset management strategy, which has recently been updated to realign it with the revised HRA business plan. We have experienced delays and operational & delivery issues with some of our larger contracts on this programme, which has resulted in an anticipated carry forward request. Remedial action has been put in place by CBH but it will mean that some planned work will be needed to be completed in the next financial year.
Sheltered Accommodation Review	1,062	475	Improvements made to Council's sheltered housing accommodation. Refurbishment work was completed at Enoch House in July 2017; the scaled down refurbishment has started at Harrison Court and is due to complete in June 2018.
Adaptations to Housing Stock	600	474	Improvements made to Council housing stock to meet specific tenants needs. Work is currently in progress and is being delivered to plan. Demand is currently high and may exceed the budget with the need to hold a waiting list for the next financial year.

Capital Programme – ‘Amber’ schemes Qtr 3 2017/18

Scheme	Spend to Qtr.3 £'000	Commentary
Environment		
Shrub End Depot	0	Whilst there is not currently a financial risk, Discussions with ECC are ongoing with regard to the potential redevelopment of the Recycling Centre for Household waste at Shrub End. Negotiations on land are also ongoing between Estates and ECC. The outcomes of these will feed into the options for the Council's Depot development alongside other potential sites.
Disabled Facilities Grants	292	This budget funds the mandatory support for adaptations for disabled people to enable them to remain living independently in their home. Where agreed locally it can also be used for other social care capital projects. All capital costs are funded by an external ring fenced grant from DCLG paid via the Better Care Fund which is paid annually. A large number of cases are in progress but have not reached a point where capital funds have been committed. An assessment of the total value of cases commenced will be made prior to year end to accurately predict the final level of spend and commitments. This grant will be committed in full by the end of the year on individual grant cases and other similar capital projects that help residents remain living independently in their own homes.
Communities		
Oak Tree Community Centre Roof	41	Temporary weathertight works to the roof were actioned whilst the permanent roof works were being specified and quoted for. Some unforeseen works exceeded funding available, so project overspent budget by £13k. All work finished and project complete 23/11/17.
Garrison Gymnasium Rebuild	85	See Appendix C
Revolving Investment Fund		
Northern Gateway – Sports Hub	345	See Appendix C
Northern Gateway South	507	See Appendix C
Surface Water Flooding - Distillery Lane/Haven Road	0	Joint project agreed between ECC, the Environment Agency and CBC to upgrade the sewage infrastructure between Distillery Pond and the river. This is likely to significantly reduce the risk of flooding along Haven Road during periods of heavy rainfall. CBC has agreed to contribute £53k S106 funding. The total cost of the project is estimated to be £270k, to be met by ECC and the Environment Agency.

Capital Programme – ‘Amber’ schemes Qtr 3 2017/18

Status	Definition	Action
Red	There are significant issues with one or more aspects of the scheme (time, cost, scope), which require corrective action to meet the project objectives. The issue cannot be mitigated by the project manager or project team.	Escalate to project sponsor immediately. Highlight to PMB and the Scrutiny Panel.
Amber	One or more aspects of the project are at risk and are being flagged. Project performance is expected to be addressed by the project manager or project team.	Briefing to project sponsor. Report as part of overall summary.
Green	All aspects of the project are performing to plan.	No action required. Report as part of overall summary.

6 March 2018

Report of	Assistant Director of Communities	Author	Andrew Harley ☎ 282880
Title	Disclosure and Barring Checks for Councillors		
Wards affected	All		

Committee is asked to consider whether the Council should require Disclosure and Barring Service checks for councillors.

1. Executive Summary

- 1.1 This report provides background information and reviews policy options in regard to criminal history checks for councillors. Such checks are administered by the Disclosure and Barring Service (DBS).

2. Recommended Decision

- 2.1 It is recommended that the Council continues with its current approach of not requiring or seeking DBS checks for councillors.

3. Reason for Recommended Decision

- 3.1 There is no legal basis on which the Council can currently require or seek either Enhanced or Standard DBS Checks on councillors. The role does not constitute a “named position” eligible for checks, and ward councillors do not carry out “regulated activity” as defined by the Freedom of Information Act 2012.
- 3.2 Although the legislative framework allows discretion on the issue of Basic Checks, there is no clear case for the introduction of such a measure:
- Basic checks show “Unspent Convictions” only, and are therefore of limited value.
 - There is no clear framework for the enforcement of such a policy as it is not required in law.

4. Alternative Options

- 4.1 Since 2012, the issue of DBS checking for councillors has become a policy matter for individual councils. The Council could decide to require sight of Basic DBS Checks.

5. Background Information

- 5.1 At the meeting of this Committee on 17 October 2017 Cllr Willetts requested that the Council gives due consideration to whether it should conduct DBS Checks on councillors. The Council's Monitoring Officer agreed to have a paper prepared for the Committee.
- 5.2 It is appropriate for the Committee to consider this matter in the light of its legal duties in respect of safeguarding children and 'adults with needs for care and support', as defined in legislation including the Children Act 2004 and the Care Act 2014.
- 5.3 Prior to 2012, local authorities routinely carried out Criminal Record Bureau (CRB) checks on elected members. However, the [Protection of Freedoms Act 2012](#) created the [Disclosure and Barring Service](#) and a new system of checks. This included a more restrictive set of criteria to determine when checks could be carried out and on whom. Since 2012, the issue of DBS checking for councillors has become a policy matter for individual councils.
- 5.4 National abuse enquiries including those in Rochdale, Rotherham and Oxfordshire, have raised fresh concerns about how local authorities can ensure that they are protecting vulnerable people, especially children, from sexual exploitation and other forms of abuse. In some cases, public officials including councillors have ignored, or been implicated in, abuse.
- 5.5 For information, the different types of checks carried out by the Disclosure and Barring Service are included within the table below:

Information Searched	Type of Check			
	Basic	Standard DBS	Enhanced DBS	Enhanced DBS (including barred list check)
Unspent Convictions	Yes	Yes	Yes	Yes
Spent Convictions	No	Yes	Yes	Yes
Cautions, Warnings, Reprimands	No	Yes	Yes	Yes
Other relevant police information	No	No	Yes	Yes
Children or adults barred list	No	No	No	Yes

5.6 Enhanced Level Checks

The Disclosure and Barring Service offered the following advice to another district council in Essex in 2016 which had sought clarification on whether DBS checks were appropriate for councillors:

"Councillors and Mayors, as named positions, are not eligible for a DBS check. However, it is accepted that individuals tasked with certain functions (set out [here](#)) would have been eligible for an 'Enhanced' level check with a check against the appropriate Barred list. However, following changes in legislation, and the enactment of the Protection of Freedoms Act 2012, those positions were removed from the scope of Regulated Activity and consequentially *an entitlement now only*

exists for a Councillor (not Mayor) at 'Enhanced only' level if the individual retains those same responsibilities. Please take into consideration that DBS checks are not mandatory unless there exists a piece of legislation that makes checks a requirement for the role being offered.

I am sure that you will appreciate that, if the councillor or Mayor has other duties outside of their role that would meet the conditions for a DBS check with barred lists then it would be for the employer, i.e. the council, to determine what level of check would be appropriate for those additional duties. It is an offence for an employer to knowingly employ an individual who is barred from working in Regulated Activity, i.e. working regularly, unsupervised with member of the vulnerable groups.” (as summarised [here](#)).

The key parts above have been highlighted, including the passage that “*an entitlement now only exists for a Councillor... at 'Enhanced only' level, if the individual retains those same responsibilities*”. The responsibilities being referred to here are in respect of Education or Social Care, which are responsibilities that Colchester Borough Council members do not have.

- 5.7 There is therefore no legal basis on which the Council can currently require or seek Enhanced DBS Checks on councillors.

5.8 Standard Level Checks

It would not be possible for the Council to apply for, or to request from councillors, Standard Level DBS Checks. These are in-depth background checks used by employers on behalf of applicants to verify if a candidate is suitable to hire for work in a specific industry. The Council is unable to apply directly for any DBS checks for councillors unless they fall within the rules of carrying out “[regulated activity](#)” (under the Freedom of Information Act 2012) which they do not on the basis of a ward councillors’ normal duties.

5.9 Basic Level Checks

The Council could require councillors to apply for a Basic Level DBS Check themselves, which could then be produced for the Monitoring Officer and a record kept. However, such checks show unspent convictions only, and do not show spent convictions, cautions, warnings, reprimands, other relevant police information, or children or adults barred list (as detailed within para. 5, above).

- 5.10 Basic DBS checks need to be applied for by the individuals themselves. The cost of each check is £25.00. The cost of reimbursing the cost of checks for 51 councillors would be £1,275.00.
- 5.11 The Council has sought information on the approach of neighbouring second tier local authorities towards DBS checks (on 24 October 2017 and 14 February 2018), to which all eight replies have confirmed that no checks (including Basic Level checks) are carried out.
- 5.12 Some wider research has been carried out. Cornwall Council is unusual in requiring Basic Level DBS checks from all councillors. It obtained legal advice in 2014-15 which confirmed it could proceed with such an approach. (It requires Enhanced Level checks for councillors on committees which decide on Education or Social Care functions.) The [advice](#) it received has been made available to the public, and is reproduced below:

“Basic Certificates are available for all Members and co-optees on payment of the prescribed fee, without further eligibility criteria. Certificates list only unspent convictions. The Council is at liberty to request basic certificates in respect of any elected Member or co-optee.”

- 5.13 The Isle of Wight Council, which is a unitary authority, considered the issue of whether to require Basic Level DBS checks of councillors on 15 November 2017. The minutes of the [Full Council](#) meeting is published on its website. The relevant motion is included below:

“Council resolves that all Members must undertake a basic DBS check and that all Members in decision making roles on Committees/Panels which involve children and young people must undertake enhanced checks.”

The motion was seconded but, following debate, the motion was put to a vote and was lost.

5.14 Conclusion

There is no legal basis on which the Council can currently require or seek either Enhanced or Standard DBS Checks on councillors. Although the legislative framework allows discretion on the issue of Basic Checks, there is no clear case for the introduction of such a measure: Basic checks show “Unspent Convictions” only, and are therefore of limited value, and there is no clear framework for the enforcement of such a policy as it is not required in law.

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

- 6.1 This report helps the Council to discharge its legal obligation to have ‘due regard’ to the need to ‘safeguard and promote the welfare of children’. There are no specific Equality and Diversity implications, and an Equality Impact Assessment is not required.

7. **Strategic Plan References**

- 7.1 The issue of DBS checking is being considered within the context of the Council’s safeguarding duties. This report allows proper consideration of issues relevant to the Council’s wider Strategic Objectives contained within its Strategic Plan including under ‘Well-being’, its aim to “target support to the most disadvantaged residents and communities”.

8. **Consultation**

- 8.1 No direct consultation with residents has been deemed necessary as part of this report. The Council has consulted on an informal basis with other councils, the results of which have been referred to further above

9. **Publicity Considerations**

- 9.1 No specific publicity considerations are relevant here.

10. **Financial implications**

- 10.1 Should Basic DBS checks be required, the Council could decide to reimburse individual councillors. As each check would £25.00, the cost of reimbursing 51 councillors could amount to £1,275.00.

11. Community Safety Implications

- 11.1 The Council has legal duties in respect of safeguarding children and 'adults with needs for care and support', as defined in legislation including the Children Act 2004 and the Care Act 2014. Activities undertaken in this area can help to improve Community Safety for residents.

12. Health and Safety Implications

- 12.1 The Council has legal duties in respect of safeguarding, and proper consideration of its duties in this area can help to improve Health and Safety for residents.

13. Risk Management Implications

- 13.1 This report places the issue of DBS Checks before councillors in some detail which assists the Council in managing risks as effectively as possible in the light of its wider safeguarding duties.

06 March 2018

Report of	Monitoring Officer	Author	Andrew Weavers
Title	Committee on Standards in Public Life Consultation on Local Government Ethical Standards		
Wards affected	N/A		

1. Executive Summary

- 1.1 The purpose of this report is to inform the Committee of a stakeholder consultation being undertaken by the Committee on Standards in Public Life in relation to Local Government Ethical Standards.
- 1.2 The conduct of Members is within the terms of the reference of the Governance and Audit Committee and it is appropriate for the Committee to consider and respond to this consultation paper. The closing date for responses is 18 May 2018.

2. Recommended Decision

- 2.1 To consider the consultation questions contained in the paper and to delegate authority to the Chairman in consultation with the Group Spokespersons to agree the Council's response.

3. Reasons for Recommended Decision

- 3.1 To inform the Committee on Standards in Public Life of the Council's views on the questions posed in their consultation paper.

5. Background Information

- 5.1 The Localism Act 2011 introduced the current Member conduct regime which came into effect on 1 July 2012. This replaced the previous regime which had been introduced by the Local Government 2000. The current regime was intended to introduce a more streamlined, responsive and less restrictive process.
- 5.2 The Committee on Standards in Public Life is undertaking a review of local government ethical standards and its terms of reference are detailed in their stakeholder consultation paper which is attached to this report at Appendix 1. The Committee on Standards in Public Life is undertaking a stakeholder consultation and it has asked a series of questions (a) – (k) which are contained in the paper.
- 5.3 The Committee is invited to comment on the questions posed and for the Council's response to be delegated to the Chairman in consultation with the Group Spokespersons. The closing date for responses is 18 May 2018.
- 5.4 The main headings in the consultation are:

Codes of conduct

The current regime requires that local authorities have a code of conduct based on the 7 Nolan Principles but broadly local authorities have discretion as to its contents. We adopted the Public Law Partnership version which has been adopted by most authorities in Essex. The previous regime specified a standard code of conduct applicable to all authorities.

Investigations and decisions on allegations

The Council has adopted “Arrangements” for dealing with investigations and decision on allegations. The Monitoring Officer deals with these in consultation with one of the Council’s Independent Persons. Under the previous regime the Council was required to appoint Independent Members who were in the majority (and chaired) the Standards Committee and its sub-committees. All allegations were referred to a sub-committee of the Standards Committee which did make the process bureaucratic.

Sanctions

Under the previous regime the Standards Committee could impose a range of binding sanctions which included suspension of a Member up to a maximum period of 3 months. The current regime does not include any binding sanctions and any recommendations made are required to be agreed by Full Council (or a Parish Council). The current sanctions are perceived by complainants to be weak.

Declaring interests and conflicts of interest

The Localism Act introduced a new interest’s regime which seems to be working well from our experience and is understood.

Whistleblowing

We have an established whistleblowing policy and process which is annually reviewed by the Committee.

Improving standards

The Committee is asking what steps both local authorities and central government could take to improve ethical standards.

Intimidation of local councillors

The Committee is enquiring about the nature, scale and extent of intimidation towards local councillors and what measures could be put in place to prevent and address this?

- 5.3 It would be possible to undertake an electronic survey of all councillors regarding the consultation questions and then compile these for the Chairman in consultation with the Group Spokespersons to agree as the basis of the Council’s response to the consultation paper.

6. Standard References

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

Appendix 1

Review of Local Government Ethical Standards: Stakeholder Consultation

The Committee on Standards in Public Life is undertaking a review of local government ethical standards.

Robust standards arrangements are needed to safeguard local democracy, maintain high standards of conduct, and to protect ethical practice in local government.

As part of this review, the Committee is holding a public stakeholder consultation. The consultation is open from 12:00 on Monday 29 January 2018 and closes at 17:00 on Friday 18 May 2018.

Terms of reference

The terms of reference for the review are to:

1. Examine the structures, processes and practices in local government in England for:
 - a. Maintaining codes of conduct for local councillors;
 - b. Investigating alleged breaches fairly and with due process;
 - c. Enforcing codes and imposing sanctions for misconduct;
 - d. Declaring interests and managing conflicts of interest; and
 - e. Whistleblowing.
2. Assess whether the existing structures, processes and practices are conducive to high standards of conduct in local government;
3. Make any recommendations for how they can be improved; and
4. Note any evidence of intimidation of councillors, and make recommendations for any measures that could be put in place to prevent and address such intimidation.

The review will consider all levels of local government in England, including town and parish councils, principal authorities, combined authorities (including Metro Mayors) and the Greater London Authority (including the Mayor of London).

Local government ethical standards are a devolved issue. The Committee's remit does not enable it to consider ethical standards issues in devolved nations in the UK except with the agreement of the relevant devolved administrations. However, we welcome any evidence relating to local government ethical standards in the devolved nations of the UK, particularly examples of best practice, for comparative purposes.

Submissions will be published online alongside our final report, with any contact information (for example, email addresses) removed.

Consultation questions

The Committee invites responses to the following consultation questions.

Please note that not all questions will be relevant to all respondents and that submissions do not need to respond to every question. Respondents may wish to give evidence about only one local authority, several local authorities, or local government in England as a whole. Please do let us know whether your evidence is specific to one particular authority or is a more general comment on local government in England.

Whilst we understand submissions may be grounded in personal experience, please note that the review is not an opportunity to have specific grievances considered.

- a. Are the existing structures, processes and practices in place working to ensure high standards of conduct by local councillors? If not, please say why.
- b. What, if any, are the most significant gaps in the current ethical standards regime for local government?

Codes of conduct

- c. Are local authority adopted codes of conduct for councillors clear and easily understood? Do the codes cover an appropriate range of behaviours? What examples of good practice, including induction processes, exist?
- d. A local authority has a statutory duty to ensure that its adopted code of conduct for councillors is consistent with the Seven Principles of Public Life and that it includes appropriate provision (as decided by the local authority) for registering and declaring councillors' interests. Are these requirements appropriate as they stand? If not, please say why.

Investigations and decisions on allegations

- e. Are allegations of councillor misconduct investigated and decided fairly and with due process?
 - i. What processes do local authorities have in place for investigating and deciding upon allegations? Do these processes meet requirements for due process? Should any additional safeguards be put in place to ensure due process?
 - ii. Is the current requirement that the views of an Independent Person must be sought and taken into account before deciding on an allegation sufficient to ensure the objectivity and fairness of the decision process? Should this requirement be strengthened? If so, how?
 - iii. Monitoring Officers are often involved in the process of investigating and deciding upon code breaches. Could Monitoring Officers be subject to conflicts of interest or undue pressure when doing so? How could Monitoring Officers be protected from this risk?

Sanctions

- f. Are existing sanctions for councillor misconduct sufficient?
 - i. What sanctions do local authorities use when councillors are found to have breached the code of conduct? Are these sanctions sufficient to deter breaches and, where relevant, to enforce compliance?
 - ii. Should local authorities be given the ability to use additional sanctions? If so, what should these be?

Declaring interests and conflicts of interest

- g. Are existing arrangements to declare councillors' interests and manage conflicts of interest satisfactory? If not please say why.
 - i. A local councillor is under a legal duty to register any pecuniary interests (or those of their spouse or partner), and cannot participate in discussion or votes that engage a disclosable pecuniary interest, nor take any further steps in relation to that matter,

- although local authorities can grant dispensations under certain circumstances. Are these statutory duties appropriate as they stand?
- ii. What arrangements do local authorities have in place to declare councillors' interests, and manage conflicts of interest that go beyond the statutory requirements? Are these satisfactory? If not, please say why.

Whistleblowing

- h. What arrangements are in place for whistleblowing, by the public, councillors, and officials? Are these satisfactory?

Improving standards

- i. What steps could *local authorities* take to improve local government ethical standards?
- j. What steps could *central government* take to improve local government ethical standards?

Intimidation of local councillors

- k. What is the nature, scale, and extent of intimidation towards local councillors?
- i. What measures could be put in place to prevent and address this intimidation?

Who can respond?

Anyone with an interest may make a submission. The Committee welcomes submissions from members of the public.

However, the consultation is aimed particularly at the following stakeholders, both individually and corporately:

- Local authorities and standards committees;
- Local authority members (for example, Parish Councillors, District Councillors);
- Local authority officials (for example, Monitoring Officers);
- Think tanks with an interest or expertise in local government;
- Academics with interest or expertise in local government; and
- Representative bodies or groups related to local government.

How to make a submission

Submissions can be sent either in electronic format or in hard copy.

Submissions must:

- State clearly who the submission is from, i.e. whether from yourself or sent on behalf of an organisation;
- Include a brief introduction about yourself/your organisation and your reason for submitting evidence;
- Be in doc, docx, rtf, txt, ooxml or odt format, not PDF;
- Be concise – we recommend no more than 2,000 words in length; and
- Contain a contact email address if you are submitting by email.

Submissions should:

- Have numbered paragraphs; and

- Comprise a single document. If there are any annexes or appendices, these should be included in the same document.

It would be helpful if your submission included any factual information you have to offer from which the Committee might be able to draw conclusions, and any recommendations for action which you would like the Committee to consider.

The Committee may choose not to accept a submission as evidence, or not to publish a submission even if it is accepted as evidence. This may occur where a submission is very long or contains material which is inappropriate.

Submissions sent to the Committee after the deadline of 17:00 on Friday 18 May 2018 may not be considered.

Submissions can be sent:

1. Via email to: public@public-standards.gov.uk
2. Via post to:
Review of Local Government Ethical Standards
Committee on Standards in Public Life
GC:07
1 Horse Guards Road
London
SW1A 2HQ

If you have any questions, please contact the Committee's Secretariat by email (public@public-standards.gov.uk) or phone (0207 271 2948).

6 March 2018

Report of	Assistant Director of Policy and Corporate	Author	Jonathan Baker
			☎ 282207
Title	Work Programme 2017-18		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report sets out the current Work Programme 2017-2018 for the Governance and Audit Committee. This provides details of the reports that are scheduled for each meeting during the municipal year.

2. Recommended Decision

- 2.1 The Committee is asked to note the contents Committee's Work Programme for 2017-18.

3. Alternative Options

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

4. Background Information

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

5. Standard References

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

6. Strategic Plan References

- 6.1 Governance is integral to the delivery of the Strategic Plan's vision themes of a vibrant, prosperous, thriving and welcoming Borough.
- 6.2 The Council recognises that effective local government relies on establishing and maintaining the public's confidence, and that setting high standards of self governance provides a clear and demonstrable lead. Effective governance underpins the implementation and application of all aspects of the Council's work.

WORK PROGRAMME 2017-18

Meeting date / Agenda items
Governance and Audit Committee - 27 June 2017
Governance and Audit Committee briefing – 26 June 2017
<ol style="list-style-type: none"> 1. 2017/18 Audit and Certification Fees letter 2. Draft Annual Statement of Accounts 2016/17 3. Review of Meetings and Ways of Working 4. Year End Internal Audit Assurance Report 2016/17 5. Review of the Governance Framework and Draft Annual Governance Statement
Governance and Audit Committee - 25 July 2017
Governance and Audit Committee briefing – 20 July 2017
<ol style="list-style-type: none"> 1. Annual Statement of Accounts 2016/17 2. 2016/17 Year End Review of Risk Management 3. Colchester Borough Homes Annual Report and Governance Statement
Governance and Audit Committee - 19 September 2017
Governance and Audit Committee briefing – 18 September 2017
<ol style="list-style-type: none"> 1. Complaint in relation to Councillor Lilley 2. Local Government and Social Care Ombudsman Annual Review 2016/17 3. Publication of Annual Statement of Accounts 2016/17 4. Financial Monitoring Report – April to June 2017 5. Capital Expenditure Monitor 2017/18
Governance and Audit Committee - 17 October 2017
Governance and Audit Committee briefing – 10 October 2017
<ol style="list-style-type: none"> 1. Health and Safety Policy and Annual Report 2. Review of the Council's Ethical Governance Policies 3. Review of the Members' Code of Conduct and the Council's "Arrangements" 4. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Officers 5. Review of Local Code of Corporate Governance 6. Income and Debt Policy 7. Equality and Safeguarding Annual Update 8. Member/Officer Protocol Review
Governance and Audit Committee - 28 November 2017
Governance and Audit Committee briefing – 21 November 2017
<ol style="list-style-type: none"> 1. Annual Audit Letter 2. Mid-Year Internal Audit Assurance Report 2017/18 3. Treasury Management – Half Yearly Update
Governance and Audit Committee - 16 January 2018
Governance and Audit Committee briefing – 11 January 2018
<ol style="list-style-type: none"> 1. Certification of Claims and Returns – Annual Report 2016/17

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| <ol style="list-style-type: none">2. Review of Meetings and Ways of Working Update3. Interim Review of the Annual Governance Statement Action Plan4. Risk Management Progress Report5. Annual Review of Business Continuity |
| Governance and Audit Committee - 6 March 2018 |
| Governance and Audit Committee briefing – 26 February 2018 |
| <ol style="list-style-type: none">1. Audit Plan for year ending 31 March 20182. Financial Monitoring Report3. Capital Expenditure Monitor 2017/184. Disclosure and Barring Checks for Councillors5. Committee on Standards in Public Life Consultation on Local Government Ethical Standards6. Internal Audit Plan 2018/197. Risk Based Verification - Confidential |

