

Governance and Audit Committee Meeting

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

Tuesday, 04 September 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, which is usually published five working days before the meeting, and minutes once they are published. Dates of the meetings are available at www.colchester.gov.uk or from Democratic Services. Occasionally meetings will need to discuss issues in private. This can only happen on a limited range of issues, which are set by law. When a committee does so, you will be asked to leave the meeting.

Have Your Say!

The Council values contributions from members of the public. Under the Council's Have Your Say! policy you can ask questions or express a view to most public meetings. If you wish to speak at a meeting or wish to find out more, please refer to Your Council> Councillors and Meetings>Have Your Say at www.colchester.gov.uk

Audio Recording, Mobile phones and other devices

The Council audio records all its public meetings and makes the recordings available on the Council's website. Audio recording, photography and filming of meetings by members of the public is also permitted. The discreet use of phones, tablets, laptops, cameras and other such devices is permitted at all meetings of the Council. It is not permitted to use voice or camera flash functionality and devices must be kept on silent mode. Councillors are permitted to use devices to receive messages and to access papers and information via the internet and viewing or participation in social media is at the discretion of the Chairman / Mayor presiding at the meeting who may choose to require all devices to be switched off at any time.

Access

There is wheelchair access to the Town Hall from St Runwald Street. There is an induction loop in all the meeting rooms. If you need help with reading or understanding this document please take it to the Library and Community Hub, Colchester Central Library, 21 Trinity Square, Colchester or telephone (01206) 282222 or textphone 18001 followed by the full number that you wish to call and we will try to provide a reading service, translation or other formats you may need.

Facilities

Toilets with lift access, if required, are located on each floor of the Town Hall. A water dispenser is available on the first floor and a vending machine selling hot and cold drinks is located on the ground floor.

Evacuation Procedures

Evacuate the building using the nearest available exit. Make your way to the assembly area in the car park in St Runwald Street behind the Town Hall. Do not re-enter the building until the Town Hall staff advise you that it is safe to do so.

Library and Community Hub, Colchester Central Library, 21 Trinity Square,
Colchester, CO1 1JB

telephone (01206) 282222 or textphone 18001 followed by the full number you wish to call

e-mail: democratic.services@colchester.gov.uk

www.colchester.gov.uk

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

Accounts and Audit

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

Governance

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

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

Other regulatory matters

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

To determine and approve Community Governance Reviews.

Standards in relation to Member Conduct

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

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

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

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

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

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

General

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

Consider and review the activities and financial performance of Colchester Commercial (Holdings) Limited and its subsidiary companies, those Council services generating income of approximately £250,000 and above, and any other partly or wholly owned company of the Council.

To receive, review and recommend Colchester Commercial (Holdings) Limited's business plans (including its subsidiary companies) annually.

To monitor, challenge and make recommendations to Cabinet regarding Colchester Commercial (Holdings) Limited and its subsidiary companies and other Council services with significant income streams.

To make recommendations to Cabinet on how it should exercise the functions flowing from its ownership of shares in Colchester Commercial (Holdings) Limited and its subsidiary companies.

To recommend the constitution and appointment of the Board of Directors of Colchester Commercial (Holdings) Limited to Cabinet.

COLCHESTER BOROUGH COUNCIL
Governance and Audit Committee
Tuesday, 04 September 2018 at 18:00

Member:

Councillor Adam Fox
Councillor Helen Chuah
Councillor Robert Davidson
Councillor Theresa Higgins
Councillor Fiona Maclean
Councillor Lorcan Whitehead
Councillor Dennis Willetts

Chairman
Deputy Chairman

Substitutes:

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

AGENDA - Part A
(open to the public including the press)

Members of the public may wish to note that Agenda items 1 to 5 are normally brief.

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	9 - 12
	Councillors will be invited to confirm that the minutes are a correct record of the meeting held on 10 July 2018.	
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	Colchester Borough Homes Annual Report and Governance Statement	13 - 24
	The purpose of the report is for the Governance and Audit Committee to consider and comment on the Governance Assurance Statement of Colchester Borough Homes. This report comes to the Committee each year.	
8	2017/18 Year End Review of Risk Management	25 - 52
	This report provides members with an overview of the Council's risk management activity undertaken during the financial year from 01 April 2017 to 31 March 2018.	
9	Annual Statement of Accounts 2017/18	53 - 54
	The audited Statement of Accounts (SOA) for 2017/18 has been published on the Council's website. This report asks the Committee to note this action as part of the conclusion of the 2017/18 accounts process. The Annual Audit Letter is subject to a separate report on this agenda.	
10	Annual Audit Letter 2017/18	55 - 82
	The Annual Audit Letter summarises the conclusions and any significant issues arising from Ernst & Young's audit procedures for the year ended 31 March 2018.	
11	Financial Monitoring Report – April to June 2018	83 - 94
	The Committee is asked to consider the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first three months of 2018/19, and to note the forecast budget overspend of £150k on the General Fund.	
12	Capital Expenditure Monitor 2018/19 – April 2018 to June 2018	95 - 106
	The Panel is invited to review the progress against all capital schemes during the first three months of 2018/19.	
13	Work Programme 2018-19	107 - 110
	This report sets out the current Work Programme 2018-2019 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)

GOVERNANCE AND AUDIT COMMITTEE

10 JULY 2018

Present:- Councillor Fox (Chair), Councillor Chuah, Councillor Davidson, Councillor Higgins and Councillor Willetts

Substitutes:- Councillor Scordis for Councillor Whitehead
Councillor J Maclean for Councillor F Maclean

114. Minutes of Previous Meeting

RESOLVED that the minutes of the meeting held on 5 June 2018 was confirmed as a correct record.

115. Annual Statement of Accounts 2017/18

Steve Heath, Finance Manager, introduced the Annual Statement of Accounts 2017/18 report. The report requests that the Committee accept the audit results report for the year ending 31 March 2018, note the comments in the covering report and approve the letter of representation and the audited Statement of Accounts.

Kevin Suter, Ernst and Young, informed the Committee that the Council had less time to prepare it's statements this year, with the deadline being July. Kevin Suter confirmed that the auditors were confident that this would be completed before the deadline, as Colchester Borough Council had previously submitted their accounts to this date. Kevin Suter confirmed that there were very few items to bring to the attention of the Committee and the accounts were of good quality.

Kevin Suter also confirmed that since the report had been written and submitted all outstanding items in the audit had been completed and that there were no indications of management override, or any further work required. The Committee were informed that the auditors plan to give an unqualified conclusion on the arrangements. Kevin Suter highlighted to the Committee that the auditors are independent of the Council.

In response to a query from a Committee member regarding how Colchester Borough Council compares to other authorities of a similar size in terms of potential interest rates and pension deficits, Kevin Suter confirmed that Colchester compares similarly, however it is difficult to make a direct comparison. Kevin Suter stated that there are no concerns in accordance with the statement of accounts and that Ernst and Young would be reporting at the end of the month to Essex County Council about the Pension Fund.

A further query was raised around valuation of property and equipment, particularly the important historical assets in Colchester. Steve Heath, informed the Committee that in note 15, page 55 of the statement of the accounts, there are separate accounting policies for the civic regalia and roman treasure exhibits. The exhibits and civic regalia are revalued every

five years to ensure that they remain up to date. This is based on insurance valuations as it is not cost effective to provide detailed revaluations. With regard to the Castle, this is not recognised in the accounts as it is not possible to provide a value to it. Steve Heath also highlighted that there is further detailed information on this on page 60 within the Statement of Accounts.

A further question was asked regarding the insurance of heritage properties and exhibits and Steve Heath informed the Committee that a response would be provided by Officers after the meeting.

In response to a question regarding the adjustment in the pension fund, Kevin Suter confirmed that whilst the share was slightly bigger than the materiality this was not a cause for concern. Kevin Suter stated that the auditors take a view from the pension fund outturn and the pension fund as a whole.

With regard to the group accounts, a member of the Committee questioned why the North Essex Garden Communities and Colchester Commercial Holdings Companies were not included. In response Kevin Suter stated that the Council made the decision not to include the companies in the statement of accounts due to materiality. Including the companies in the accounts would not have made a material difference to the figures and a note 40 on page 125 of the statement of accounts includes additional information on this. Going forward the Council will need to continue to monitor the situation.

Committee members thanked the auditors for the report, the work over the past few years and wished them all the best for the future as this was the last year of the current contract.

RESOLVED that:

- a) The Audit Results report for the year ending 31 March 2018 be accepted.
- b) That comments in the covering report be noted.
- c) The letter of representation be noted.
- d) The audited Statement of Accounts be approved.

116. Review of Meetings and Ways of Working – Digital Agendas Update

Richard Clifford, Democratic Services Officer, introduced the Review of Meetings and Ways of Working report. The report requests that the Committee note the progress on the use of digital agendas in Committee meetings as well as the cost of improving presentation facilities in the Grand Jury Room and Council Chamber. The report also requests that the Committee consider recommending to Council that where appropriate facilities exists, meetings are conducted using digital technology to access agendas and that Council assess the implications of using digital technology in the Council Chamber. This includes considering whether the facilities in the Chamber should be improved to provide power sockets and USB ports.

Richard Clifford explained that this report forms part of the Review of Meetings and Ways of Working project that started in 2016. This report provides an update on the progress of the digital agendas trial, which was conducted at the end of the previous municipal year and suggests the next steps for increasing the use of digital technology in Committee meetings.

It was highlighted that to date the Governance and Audit Committee had held four digital meetings, and the Scrutiny Panel had held a total of six. In addition, since the new municipal year the Cabinet, Policy Review Panel and Revolving Investment Fund

Committee have all conducted meetings using digital technology to access agendas. No significant difficulties had been experienced and the meetings had all concluded successfully. Prior to the trial commencing Councillors were invited to attend a training session on how to access digital agendas through their devices. Since then training has continued on an individual basis as and when required.

Committee members were informed that during the trial Councillors were generally happy to use their own personal devices to access agendas. Any Councillor who did not have access to suitable device and was a member of a Committee that was part of a trial, was loaned the necessary equipment. In total five devices were provided to Councillors and it is anticipated that, if digital devices were deemed the default method for accessing agendas for all Committees, a further ten more devices would be required.

It was highlighted stated that whilst a power solution has been provided for the Grand Jury Room, more significant work would be required for the Council Chamber as the provision of "power towers" would not be viable in the Chamber. Investigations have taken place on how best to provide a solution, it is estimated that it would cost £12.5k and it would take approximately four weeks for the work to be completed.

The Committee welcomed the digital agenda update report and agreed with the move towards using digital technology to access agendas in meetings. Whilst there is a learning process for using digital agendas it reduces the cost of printing at a time when the budget is also being reduced and prevents the waste of paper. Members noted the success of the trial as well as the fact that other authorities also use digital agendas.

A member of the Committee highlighted the need to ensure that Councillors and visitors all use the most up to date agenda pack particularly when urgent items are added to the agenda, as this can change the page numbers for those in attendance. Richard Clifford confirmed that going forward, Democratic Services Officers would ensure visitors were provided with the most up to date digital agenda pack. With regard to Councillors the MyCMIS application provides an automatic update facility ensuring that the latest version of the agenda has been downloaded.

The Committee also discussed the difficulty in using devices in the Council Chamber due to the design of the desks and space available. Members agreed that, whilst Councillors should aim to bring a charged device, the installation of power sources in the Council Chamber would be beneficial. It was suggested that prior to any investment in power sockets, a wider review of the Council Chamber for digital agendas be conducted. This should also look at accessibility issues as well as issues relating to the suitability of the room for the use of digital agendas. Whilst this may increase the cost it was felt necessary as the current set up is not particularly comfortable when using digital technology. A full review of the Council Chamber could also look at electronic voting and look at other possible improvements, providing a range of options to be considered by Members. Investigation would be made to see whether the current desks in the Council Chamber could be opened to assist with using digital devices.

A Committee member raised a query as to whether using digital agendas across all Committees would provide savings due to a reduction in delivery costs. Richard Clifford confirmed that the current delivery system is provided as part of the hall keeping team and is currently included as part of the running costs for that team. Further research would be required to assess the cost of this service and the possible saving that might be achieved.

Further queries were raised with regard to whether there were safe locations to leave devices at the Town Hall and whether personal devices would be covered by the Council's insurance if damaged or stolen on Council property. Richard Clifford stated that further information on both of these issues could be provided to Committee members following discussions with the relevant Officers.

With regard to the improvement of presentation facilities in the Grand Jury Room and Council Chamber, a member of the Committee questioned whether projectors would be suitable, as an alternative to televisions. In response Richard Clifford stated that projectors would not be as flexible or reliable as using televisions.

In response to a question regarding the current printing budget and cost of devices, Richard Clifford informed the Committee that the budget for this financial year is £4,800, reduced from £15,000 in the previous year. The increased use in digital agendas for Committee meetings has already seen a significant reduction in printing budget costs. With regard to the cost of devices, the ten estimated devices would cost between £3k and £4k. These devices are provided on a loan basis and once returned they would be wiped and redistributed.

RESOLVED that;

- a) That the progress on the use of digital agendas in Committee meetings be noted.
- b) To RECOMMEND to Council that where appropriate facilities exist, meetings are conducted using digital technology to access agendas.
- c) To RECOMMEND that Council assess the implications of using digital technology to access agendas in the Council Chamber and that a review of the facilities in the Council Chamber, including their accessibility and their suitability for the use of digital agendas, should be undertaken.
- d) The cost of improving presentation facilities in the Grand Jury Room and Council Chamber be noted.

117. Work Programme 2018-19

Jonathan Baker, Democratic Services Officer, introduced the Governance and Audit Committee work programme. The report requests that the Committee note the contents of the work programme for 2018-19.

Jonathan Baker highlighted that the October meeting had a significant number of items on the agenda and that an additional meeting may be required during November.

A member of the Committee suggested looking at the security of the Town Hall and whether an update could be provided at a future Committee meeting.

RESOLVED that the Work Programme 2018-19 be noted.

4 September 2018

Report of	Interim Director of Resources Colchester Borough Homes	Author	Brian Richardson 
Title	Annual Report and Governance Statement		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 The purpose of the report is for the Governance and Audit Committee to consider and comment on the Governance Assurance Statement of Colchester Borough Homes. This report comes to the Committee each year.

2. Recommended Decision

- 2.1 The Committee considers and comments on the Governance Assurance Statement of Colchester Borough Homes.
- 2.2 The Committee accepts the assurance provided by Colchester Borough Homes regarding its governance arrangements throughout 2017/18.

3. Reason for Recommended Decision

- 3.1 Colchester Borough Homes is a wholly owned company of the Council. As such:
- Its accounts are consolidated into the Council's financial statements
 - Disclosures regarding the adequacy and effectiveness of its governance arrangements are included in the Council's Annual Governance Statement.
- 3.2 Colchester Borough Homes has therefore provided the Council with its own Annual Governance Statement for 2017/18 as evidence of how well its arrangements are operating (Appendix 1).
- 3.3 The Annual Governance Statement will inform the Council's Governance Statement.

4. Background Information

- 4.1 Cllr Chapman, a member of Colchester Borough Homes' Finance and Audit Committee, and the Interim Director of Resources will present this report to Committee and respond to any questions relating to it.
- 4.2 The Finance and Audit Committee of Colchester Borough Homes also takes the following actions to assure itself that the Company has proper and secure arrangements in place:
- Each year it agrees an audit plan for a three-year period on a risk based approach
 - It receives regular updates on the progress against this plan throughout the year from Internal Audit
 - It carries out an annual self-assessment of how it is functioning based on CIPFA guidelines
 - It considers and recommends the Annual Governance Statement to the Board
 - It monitors the actions coming out of the Annual Governance Statement
 - It produces the Risk Management Strategy and monitors the key strategic risks of the Company

5. Head of Internal Audit Opinion 2017/18

- 5.1 Set out below are some key information from the Internal Audit Opinion Report:
- The Audit Plan covered 10 internal audit projects including all the key financial areas (these were amalgamated into one audit in the year). One of these audit projects was in progress at the year end.
 - Assurance gradings for the 9 completed projects were as follows:

Assurance Grading	No.
Full	1
Substantial	8
Limited	0

- Plans have been drawn up to deal with any areas of weakness identified by these audits.
- **The overall Internal Audit Opinion is that substantial assurance on internal controls within the financial and operating systems operating throughout the year are in accordance with proper practice.**

7. Standard References

- 7.1 There are no particular references to the Strategic Plan; consultation or publicity considerations or financial; community safety or health and safety implications.

8. Risk Management Implications

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

Appendices

Appendix A – Colchester Borough Homes Annual Governance Statement

COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

1. Scope of Responsibility

Colchester Borough Homes (CBH), formed in October 2003, is the Arms-Length Management Organisation of Colchester Borough Council (CBC), responsible for the management and maintenance of the Council's homes and transferred general fund services. In 2017/18, these were primarily financed from the Council through a Management Fee of £9,253,561. This fee also includes Property Services professional fees, Corporate Facilities management fee and CBH Revenue work costs. Property Services also manages capital and revenue work costs paid directly by CBC, totalling £4,669,200.

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

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

2. The Purpose of the Governance Framework

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

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process, designed to:

- identify and prioritise the risks to the achievement of the Company's policies, aims and objectives
- to evaluate the likelihood of those risks being realised and the impact should they be realised

COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

- to manage them efficiently, effectively and economically.

The governance framework has been in place at Colchester Borough Homes for the year ended 31 March 2018 and up to the date of approval of the financial statements of accounts.

Colchester Borough Homes exercises control through:

- Corporate governance arrangements outlined in the Memorandum & Articles of Association, the Code of Governance and the Standing Financial Instructions.
- The employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal annual appraisal system.
- The preparation of forecasts and budgets that allow the committees and the executive officers to monitor the key business risks and financial objectives, and identify variances arising during the monthly reporting cycle.
- Business planning is based on an approved Strategic Plan that sets out key actions to enable CBH to achieve its goals for the ensuing year (effective from 1 April 2018). This complements the Medium Term Delivery Plan that was approved by CBC. This cascades through supporting Service Plans and individual performance appraisals. The key aims of the new Strategic Plan are:

- ✓ Customer Plan

- To deliver services that reflects the needs and diversity of our customers
- To make it easy for customers to do business with us
- To improve Customer Satisfaction

- ✓ Value for Money, Technology and Investment Plan

- To invest money in a way that helps customers and communities
- To use technology to do things better
- To get the most for the money we spend

- ✓ People Plan

- To support our staff to do the best job possible
- To make CBH a great place to work

- ✓ Business Development Plan

- To protect services by looking after the future of the business
- To bring in extra income to invest in our services

COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

✓ Leadership Plan

- To show we can be trusted to do what say we will
- To be clear about our organisational goals and how to achieve them

✓ Community Plan

- To raise awareness of our work in the community
- To bring together organisations and residents for the benefit of the community

The Executive Management and the Board will carry out regular reviews of performance against objectives and targets detailed in the Strategic Plan.

3. Review of Effectiveness

Colchester Borough Homes conducts, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Executive Directors and Senior Management Team within the Company, who have responsibility for the development and maintenance of the governance environment. This is supported by the Internal Audit's annual report, and by comments made by external auditors and other review agencies and inspectorates.

The company has produced a Strategic Plan, setting out the direction of the company until 2022. This now complements the Medium Term Delivery Plan which also runs until 2022. From the Delivery Plan, Key Performance Indicators (KPIs) and projects are produced, relating to the Company's obligations to provide core services to the Council. A performance and scrutiny framework is in place to review and monitor delivery against these. This is a combination of Company, tenants and CBC scrutiny as well as benchmarking against other providers. The Strategic Plan is a wider document and sets out an overarching framework within which CBH can develop and improve as a well-established organisation both within the Council's service delivery arrangements and in obtaining contract work for other clients.

CBH's internal arrangements for ensuring the effectiveness of its governance arrangements during the year consisted of:

- The Operations Committee receiving quarterly performance reports. (Committee dissolved in May 2018, to be replaced by a Resident Services Panel from July 2018)
- The Governance & Remuneration Committee monitoring the implementation of the Governance Action Plan and significant staffing matters. (Committee dissolved in March 2018, and replaced by an Appointments and Remuneration Committee from 1 April 2018. Governance matters to be dealt with by Board).

COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

- The Finance & Audit Committee considering Internal Audit reports throughout the year, reviewing how well strategic risks are identified and managed, and monitoring financial performance against budgets.
- The Finance & Audit Committee monitoring the regular review of key policies against an agreed policy review timetable.

As stated above, CBH reviewed its governance arrangements during the year and approved the changes to take effect from 1 April 2018. CBH will ensure that its measures to monitor the effectiveness of its governance arrangements remain in place and reflect best practice and are appropriate to oversee the approved Strategic Plan and Medium Term Delivery Plan.

Internal Audit

Internal Audit is delivered through a contract with Mazars LLP (Mazars). A five-year risk-based Strategic Audit Plan was initially approved by the Finance and Audit Committee in June 2016, following the successful re-appointment of Mazars in April 2016. This is refreshed on an annual basis in consultation with the Directors Management Team. The updated plan was approved by the Finance & Audit Committee in March 2018.

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

The Head of Internal Audit prepares an annual Head of Internal Audit Opinion (HOIA) report that includes an overall opinion on CBH's internal control environment based on the results of the audit work completed. This was considered by the June 2018 Finance & Audit Committee.

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

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

COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

External Audit

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

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

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

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

4. Significant Governance Issues from 2016/17 - Update

Insurances

In the 2016/17 Annual Report the key issue with the insurance audit was regarding the timing of the renewal process. As a consequence of the audit, we commenced the annual process for 2017/18 a month earlier than previously to ensure adequate review and approval of the insurances recommended by the broker were both fit for purpose and value for money.

Payroll

CBC provide the payroll function on behalf of CBH. In April 2016, CBC commenced the transition to a new system, which resulted in the short-term use of a payroll bureau system whilst the new system was being developed. The system is now embedded with appropriate control frameworks now established which are reviewed thoroughly by Internal Audit.

5. Significant Governance Issues 2017/18 – Nothing to Report

CBH is pleased to report that it received Full Assurance for its Budgetary Control, and Substantial Assurance on the remaining areas reviewed.

CBH has an effective Risk Management Strategy in place where the Board and Finance & Audit Committee review the Strategic Risk Register at each meeting and gives members a solid foundation for effective decision making. In the year, an emerging risk register was produced for the first time, that allows for pro-active planning and mitigations to be put in place where appropriate. The strategy provides a solid foundation for communicating the importance of risk to staff and is key to strong governance on risk management.

COLCHESTER BOROUGH HOMES LIMITED COMPANY LIMITED BY GUARANTEE

Annual Governance Statement

Year ended 31st March 2018

Signed: _____
(Chair of the Board)

Signed: _____
(Chair of the Finance & Audit Committee)

Signed: _____
(Chief Executive Officer)

04 September 2018

Report of	Assistant Director of Policy & Corporate	Author	Hayley McGrath ☎ 508902
Title	2017/18 Year End Review of Risk Management		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report provides members with an overview of the Council's risk management activity undertaken during the financial year from 01 April 2017 to 31 March 2018.
- 1.2 Effective management of risk is essential to ensuring that the Council's aims and objectives are achieved. The Council has therefore approved a Risk Management Strategy, which has been included in the policy framework. This provides a comprehensive risk management process that is embedded across the organisation and includes a strategic risk register, which is the responsibility of the senior management team, operational risk registers which are produced by each service and specific risk mitigation initiatives.
- 1.3 The Risk Management strategy and processes are reviewed annually to ensure that they are still appropriate to the Council's needs and continue to be effective in identifying and mitigating risks to its aims and objectives.
- 1.4 Key Messages:
 - The main risks on the strategic risk register are (4.d) the potential impact of future government decisions to reduce public funding, (5.a) failure or inappropriate management of a strategic partner, and (5.d) potential partner delays in delivery of the Garden Communities project. Most of these are outside of the direct control of the Council. However the impact of these risks can be mitigated, and risks identified in section 6 of the register – Assets and Resources – are a reflection of the work that is undertaken to ensure that the organisation can respond to these challenges.
 - Risk Management principles continue to be reinforced and embedded in the organisation. The 2016/17 Annual Audit Report, issued by the Council's external auditors, Ernst & Young, in November 2017, did not include any findings of anticipated risks occurring. This is further demonstrated by the decision to change the frequency of Internal Audit reviews from annually to biennially, due to the consistent high level of assurance achieved over the last five years.

2. Recommended Decision

- 2.1 Consider and comment on the Council's progress and performance in managing risk during the period from April 17 to March 2018.
- 2.2 Consider and comment on the current strategic risk register.
- 2.3 Consider and comment on the proposed risk management strategy for 2018/19.

2.4 Endorse the submission of this report to Cabinet.

3. Reason for Recommended Decision

3.1 The Risk Management Strategy, which forms part of the policy framework, identifies the Governance and Audit Committee as being responsible for reviewing the effectiveness of the risk management process and reporting progress to Cabinet at least annually.

3.2 As part of the Policy Framework, any changes and reviews of the strategy need to be approved by Cabinet and ratified by Full Council.

4. Alternative Options

4.1 There are no alternative options to consider

5. Background Information

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

5.2 In broad terms risks are split into three categories:

- Strategic – those risks relating to the long term goals of the Council
- Operational – risks related to the day-to-day operation of each individual service
- Project – the delivery risks of specific initiatives.

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

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

6 Work undertaken during the period

6.1 Work has continued with Colchester Commercial (Holdings) Ltd to ensure that the insurance and risk frameworks for the new trading companies adequately mitigate commercial risks as well as standard organisational ones.

6.2 There has been further work undertaken to review the security arrangements for public civic events. The Strategic Governance and Corporate Governance Managers have been working with Essex Police and the Garrison to ensure appropriate arrangements for security are in place.

6.3 The Health & Safety Officer has been reviewing physical risks with Colchester Borough Homes to ensure that appropriate fire safety precautions are in place.

- 6.4 New equipment has been purchased to provide better support for lone workers, outside of the office. This provides a solution for monitoring visits and raising alerts.
- 6.5 Support continues to be provided, reviewing the risk elements of event plans, to both the Colchester, and the Community Stadium, Safety Advisory Groups.
- 6.6 The risk registers for the Joint Museum Service and the North Essex Parking Partnership both continue to be produced and reported to the joint committees.

7 Strategic Risk Register

- 7.1 During 2017/18 the strategic risk register was reviewed by the senior management team every quarter and reported to the Governance & Audit Committee every six months. The current register is shown at appendix 1. These risks have been mapped onto a risk chart as shown at appendix 2.
- 7.2 The Corporate Governance Manager reviewed the strategic risks with each member of the Senior Management Team in March 2018, and in July 2018 the Performance Management Board (PMB) comprehensively reviewed the register to ensure that the identified risks were still appropriate.

8. Risk Management Strategy for 2018/19

- 8.1 The Council's current approach to managing risk was introduced in 2006/07. A requirement within the strategy, and also of the annual audit assessment, is to review the approach each year to ensure that it is still appropriate to the Council's needs.
- 8.2 Therefore a review has been undertaken and the strategy has been updated for 2018/19. The revised strategy is attached at appendix 3. There are no fundamental changes proposed to the risk process, with amendments only to external review comments and the updating of external guidance references.

9. Equality, Diversity and Human Rights implications

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

10. Strategic Plan References

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

11. Risk Management Implications

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

12. Other Standard References

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

Appendices

Appendix 1 – The strategic risk register

Colchester Borough Council – Corporate Strategic Risk Register
July 2018 – October 2018

1. AMBITION											
Specific Risks		SCORE						Consequences	Actions	Owner	
		Current			Previous						
		P	I	O	P	I	O				
1a	In a period of public sector resource reductions the ability to have ambition and to deliver on that ambition.	3	2	6				Major changes needed to the town would not be delivered thus affecting the quality of life of its residents and businesses.	Ensure the KPI and SPAP reporting processes are effectively used to inform senior management and politicians about the performance and direction of the organisation.	Assistant Director Policy and Corporate	October 2018
1b	Unrealistic internal and external expectations on the speed of delivery.	3	3	9				Major downturn in public sector resourcing over the next few years will hamper the speed of delivery across the services provided.	Ensure that the organisation has a clear strategy for working effectively with businesses in the borough, to develop the economy.	Strategic Director of Policy and Place	October 2018
1c	The Council is unable to effectively influence changes in the Borough economy.	3	4	12				Poorer external assessments by independent agencies and loss of Council reputation.			
1d	Over reliance on a limited number of people limits ability to deliver our ambition.	3	3	9				The Borough Council loses its status and influencing ability at sub-regional, regional and national levels.	Manage the recruitment and development processes to ensure that the organisation has the appropriate skills and expertise.	Chief Executive	October 2018

2. CUSTOMERS											
Specific Risks		SCORE						Consequences	Actions	Owner	Timing
		Current			Previous						
		P	I	O	P	I	O				
2a	The expectations of our customers, set alongside the financial constraints will create challenges to service delivery, our channel shift ambitions and the reputation of the authority.	3	4	12	4	3	12	The Authority fails to deliver the standards of service and delivery which our customers expect, especially in relation to self-service and the reliance on technology capabilities.	Monitor the engagement and consultation processes, to ensure customers are able to inform service priorities and delivery, whilst managing their methods of interaction with the organisation. This will be evidenced by reporting the pattern of usage of the routes used by customers and savings achieved.	Strategic Director of Customer and Relationships	October 2018
2b	The expectation remains that the Council will step in to deliver services when other providers either fail or reduce service provision	3	3	9				The Council suffers from a loss of reputation as customers' expectations are not met. There is increased demand on existing services leading to a reduction in standards of delivery.	Ensure that Cabinet set a clear and consistent message about the role of CBC for customers and partners.	Strategic Director of Customer and Relationships	October 2018
2c	Impact of the implementation of Universal Credit in Colchester could lead to additional work for CBC to help customers apply for the new single benefit. There will be a transition period whereby residents move to the new application which could be difficult for some of our more vulnerable customers.	2	3	6	2	4	8	The Council fails to support our most vulnerable residents leading to an increase in crisis intervention.	Regularly monitor the impact of the resources allocated to the welfare reform project, to ensure that customers are supported with signposting to appropriate providers/partners.	Strategic Director of Customer and Relationships	October 2018

3. PEOPLE											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		Current			Previous						
		P	I	o	P	I	O				
3a	Unable to compete with the private sector in the recruitment (and retention) of staff with key marketable skills	4	3	12				Decline in service performance Disengaged and demotivated staff Efficiency and productivity reduction Inability to meet changing requirements and needs Customer perceptions decline as we deliver less Loss of key staff	Clearly communicate job opportunities, and the benefits, of working at CBC, making use of alternative recruitment platforms, such as LinkedIn, where appropriate Regularly review the range of services offered, including through the trading companies, to ensure CBC is well-placed to compete with the private sector in recruiting and retaining key posts.	Assistant Director Policy and Corporate Assistant Director Policy and Corporate	October 2018 October 2018
3c	Staff motivation declines with an impact on service delivery, our capacity to make changes and implementation of budget efficiencies	3	4	12					Monitor staff morale and trends using staff surveys and by monitoring the People Dashboard; and ensure good communications with staff, exploiting new technologies such as yammer. Implement the action plan for the People Strategy; ensuring that performance is regularly monitored. Regularly report the progress of the learning and development strategy, including financial considerations and business behaviours, and exploring training alternatives.	Assistant Director Policy and Corporate Assistant Director Policy and Corporate Assistant Director Policy and Corporate	October 2018 October 2018 October 2018

3. PEOPLE											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		Current			Previous						
		P	I	o	P	I	O				
3e	There is an increase in challenging behaviour from customers, towards officers, when the Council cannot meet the customer's expectations. Alongside partners being unable to provide support or having incorrectly signposted the customer to the Council.	3	3	9				Officers suffer potential mental and physical issues as a result of confrontations. The ability to assist the customer is reduced. Service delivery declines	Ensure that the Health & Safety reporting process is used to record instances of violence and aggression, with regular reporting to senior management. Develop an on-line training tool for staff, for managing difficult situations. Liaise with partners, such as Police and health, about expectations for vulnerable customers. Both in terms of emergency response to issues and services that the Council can, and cannot, provide.	Strategic Director of Customer and Relationships	October 2018

4. HORIZON SCANNING

Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		Current			Previous						
		P	I	O	P	I	O				
4a	To continuously assess future challenges to ensure Council is fit for future purpose	2	4	8				If not properly managed then either the Council will lose the opportunity to develop further or will have enforced changes to service delivery. Adverse impact on local residents / resources. Missed opportunities to boost local economy. Conflict between Council / Government agendas. Reduction in levels of service provision and potential withdrawal of services.	Regularly monitor national trends and policy changes, ensure that CBC is represented on specialist network groups.	Strategic Director of Customer and Relationships	October 2018
4b	Not taking or creating opportunities to maximise the efficient delivery of services through shared provision, partnerships or commercial delivery	4	3	12					Identify and maintain skill set required to meet future challenges, maintain partnership relationships	Strategic Director of Policy and Place	October 2018
4c	Failure by the Council to spot / influence at an early stage the direction of Central Government policies / new legislation.	3	3	9					Ensure that responses are considered and provided for consultations. Utilise specialist officer knowledge and ensure CBC representation on relevant working groups.	Assistant Director Policy and Corporate	October 2018
4d	Potential impact of future central government decisions to reduce public funding, including that of our partners	5	4	20					Maintain a constant review of the budget situation, incl impact of decisions from central government. Identify additional actions and areas for spending as necessary.	Chief Operating Officer	October 2018
4e	The outcome of the referendum to leave the European Union is leading to a number of uncertainties. At the moment it is unclear how this will impact on the Council, our communities and businesses. However, it does raise a potential set of risks that will need to be monitored.	5	3	15					Continue to monitor the Government's announcements on the implications of the exit from the EU and to bring them to the attention of decision makers at the appropriate level	Strategic Director of Policy and Place	October 2018

5. PARTNERSHIPS											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		Current			Previous						
		P	I	O	P	I	O				
5a	Failure or inappropriate performance management of one or more strategic partnerships or key contracts E.g. Haven Gateway, LEP, Health, CBH, Emergency Services	4	4	16				The cost of service delivery is increased however quality decreases. Failure to deliver key priorities. Reputational and financial loss by the Authority. Failure to deliver expected outcomes through partnerships	Set an assessment process for proposed strategic partnerships (to ensure that they will satisfy the Council's objectives) that needs to be signed off by EMT before commitment to new partnerships is made.	Strategic Director of Customer and Relationships & Strategic Director of Policy and Place	October 2018
5b	Change of direction / policy within key partner organisations and they revise input / withdraw from projects.	4	3	12				Requirement to repay external funding granted to partnership – taking on the liabilities of the 'withdrawn' partner.	Set a formal relationship / performance review process to be used by all partnerships and ensure results are reported to senior management. Ensure that Exec Board and Leadership review partnerships on a regular basis. Embed Scrutiny Cttee process for key partnerships including CBH and the Safer Colchester Partnership.	Strategic Director of Customer and Relationships	October 2018
5c	Potential inability to agree shared outcomes/ agendas with partners and the Council's ability to influence partner's performance.	3	4	12				External assessment of the Councils partnerships are critical and score poorly.			
5d	Working across the partners for delivery of the garden communities project encounters delay. The partners - Colchester BC, Tendring DC, Braintree DC, Essex CC and/or the landowners fail to agree objectives and actions	4	4	16	2	4	8	The project fails to deliver its objectives leading to increased costs as there would be delays in local plan progress and loss of reputation, as well as the long term effect on ability to generate investment into the area and meet housing and employment needs.	There is a joint shadow delivery Board that allows the Authorities to co-ordinate their actions and resolve issues.	Strategic Director of Policy and Place	October 2018

6. ASSETS & RESOURCES											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
		Current			Previous						
		P	I	O	P	I	O				
6a	Failure to protect public funds and resources – ineffective probity / monitoring systems	3	4	12				Service delivery failure Financial and reputational loss by the Authority Personal liability of Officers and Members. Legal actions against the Council Loss of stakeholder confidence in the Borough Inability to sustain costs	Ensure the outcomes of the assurance systems that form the internal control environment, (including Internal Audit, Risk Management, Budget process, Corporate Governance and performance management) are appropriately reported so that issues and concerns are managed and variances are spotted at an early stage.	Chief Operating Officer	October 2018
6b	Risk that Asset Management is not fully linked to strategic priorities and not supported by appropriate resources	3	4	12				Failure to deliver a balanced budget as planned.	Review the budget monitoring process to ensure it reflects the structure and co-ordinates finances across the whole Council not just individual service areas.	Chief Operating Officer	October 2018
								A need to use balances / reserves or to adapt financial plans to deal with impact of changes.			
								Required to use Reserves & Resources to fund capital priorities Severe impact on cash-flow leading to negative effect on performance targets	Ensure the continued development of the Revolving Investment Fund (RIF) and ensure that assets are used to their full commercial potential.	Strategic Director Policy and Place	October 2018

Continued.

6. ASSETS & RESOURCES											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
6c	Inability to deliver the budget strategy as planned.	3	4	12					Ensure effective use of the controls built into the annual budget strategy, to enable the organisation to respond quickly to changes. Include sensitivity analysis to consider the impact of potential changes to external funding/ income streams and the capacity of the organisation to deliver services. Consider income risks as part of budget strategy / budget plans.	Chief Operating Officer	Annual exercise. Council approves budget in Feb annually
6d	Failure to set aside sufficient capital funds for strategic priorities	3	4	12					Monitor the review processes for the medium term financial outlook, capital programme and HRA business plan processes, to ensure they are kept up to date and realistic.	Chief Operating Officer	October 2018
6e	Significant reliance on our ICT presents challenges in maintaining customer service in the event of service interruptions.	2	5	10					Ensure that the IT Disaster Recovery plan, and service plans, adequately reflect the organisation's requirements and provide an effective framework for maintaining service provision. Regularly review the IT development strategy to ensure it continues to support the organisations ambitions.	Assistant Director Policy and Corporate	October 2018

6. ASSETS & RESOURCES											
Specific Risks		SCORE						Consequence	Actions	Owner	Timing
6f	Increasing demands around information security create a risk in the event that security breaches occur	2	5	10					Review the IT security policies to ensure that they are fit for purpose and implement a training program for all staff.	Assistant Director Policy and Corporate	October 2018

SCORE DEFINITIONS	1 Very Low	2 Low	3 Medium	4 High	5 Very High
Impact	Insignificant effect on delivery of services or achievement of Strategic Vision & Corporate Objectives.	Minor interruption to service delivery or minimal effect on Corporate Objectives.	Moderate interruption to overall service delivery/effect on Corporate Objectives or failure of an individual service.	Major interruption to overall service delivery or severe effect on Corporate Objectives.	Inability to provide services or failure to meet Corporate Objectives
Probability	10% May happen – unlikely	10 -25% Possible	26 – 50% Could easily happen	51 – 75% Very likely to happen	Over 75% Consider as certain

Risks Removed

1e The resource implications, including ICT, staffing and financial, of the UCC FSR are greater than anticipated. Removed July 15.

1f The organisation fails to recognise the tensions between aspirations and statutory functions. Removed October 17

3b Failure to sustain adequate resource to support training and development because of the financial situation. Removed July 15.

3d Failure to provide effective and visible political and managerial leadership. Removed July 15

RISK MATRIX Jul - Sep 2018

		<div> <div>Low Risks</div> <div>Medium Risks</div> <div>High Risks</div> </div>				
Probability of Occurrence	5 Very High			4e	4d	
	4 High			3a 4b 5b	5a 5d	
	3 Medium		1a	1b 1d 2b 3e 4c	1c 5c 6a 2a 3c 6b 6c 6d	
	2 Low			2c	4a	6e 6f
	1 Very Low					
		1 Very Low	2 Low	3 Medium	4 High	5 Very high
Severity of Impact						

Removed Risks

- 1e The resource implications, including ICT, staffing and financial, of the UCC FSR are greater than anticipated. Ren
- 3b Failure to sustain adequate resource to support training and development because of the financial situation. Remo



Risk Management Strategy 2018/19 DRAFT

A guide to the Council's approach to managing risk. Draft to be agreed by cttee.

July 2018

RISK MANAGEMENT STRATEGY

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

INTRODUCTION

The Council undertakes that this strategy will ensure that:

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

Endorsement by Adrian Pritchard, Chief Executive

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

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

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

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

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

BACKGROUND

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

In broad terms risks are split into three categories:

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

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

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

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

The 2016/17 internal audit of risk management gave a substantial assurance opinion. Three recommendations were raised during the audit relating to the update and reviewing of operational risk registers.

OWNERSHIP

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

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

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

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

Portfolio Holder for Resources – Lead Member for the risk management process

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

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

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

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

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

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

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

AIMS & OBJECTIVES

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

The risk management objectives of Colchester Borough Council are to:

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

STRATEGIC RISK MANAGEMENT

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

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

OPERATIONAL RISK MANAGEMENT

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

LINKS

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

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

ACTION REQUIRED

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

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

REVIEW

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

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

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

The three appendices attached give greater detail of key issues:

Appendix 1 – Outline of the risk management process

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

Appendix 3 – CIPFA guidance on Risk Management Responsibilities

APPENDIX 1

The Risk Management Process

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

Stage 1 – Risk Identification

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

Stage 2 – Risk Analysis

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

Stage 3 – Risk Control

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

Stage 4 – Risk Monitoring

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

APPENDIX 2

Reporting

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

Types of Report

- The strategic risk register is reviewed a minimum of twice yearly by P.M.B., with interim reports quarterly as required.
- Six monthly review of the operational risk registers and a summary report of these reviews to P.M.B.
- A six monthly report is provided to Committee (Governance and Audit) detailing the current strategic and high level operational risks and the progress made in controlling them.
- An annual report reviewing Risk Management activity and an action plan for the coming year – taking into account changes in methodology and results of internal and external reviews. Going to P.M.B., Governance & Audit and Cabinet. This needs to cover all of the three areas of risk
- Ad-hoc reports need to be provided to P.M.B. when new, significant risk issues arise.

The reports can be summarised as follows:

	Services	P.M.B.	Governance & Audit	Cabinet
Quarterly		Review of strategic risk register		
6 Monthly	Review of operational risk register	Summary of operational review from services	Progress report of strategic & high level operational risks	
Yearly		Scrutiny of annual progress report to cttee on R.M.	Endorsement of annual progress report on R.M.	Summary of past years work on R.M.

Appendix 3

Risk Management Responsibilities – CIPFA / SOLACE Guidance

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

Governance and Audit Committee

Item
9

4 September 2018

Report of	Assistant Director – Policy and Corporate	Author	Margaret Donaldson ☎ 282338
Title	Annual Statement of Accounts 2017/18		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 The audited Statement of Accounts (SOA) for 2017/18 has been published on the Council's website. This report asks the Committee to note this action as part of the conclusion of the 2017/18 accounts process. The Annual Audit Letter is subject to a separate report on this agenda.

2. Recommended Decision

- 2.1 To note the publication of the audited Statement of Accounts for 2017/18.

3. Reason for Recommended Decision

- 3.1 In submitting this report, and the earlier reports, the Council is following procedures set out in the Accounts and Audit Regulations 2015. By law the Council must publish audited accounts by the statutory deadline of 30 July. This has been successfully achieved by the Council in 2017/18.

4. Alternative Options

- 4.1 Not applicable.

5. Background Information

- 5.1 The pre-audit SOA was certified by the responsible financial officer in accordance with the statutory deadline. A report was presented to this Committee on 5 June highlighting the availability of the draft accounts, and explaining the key financial statements. Following the submission of the Auditors' report to the Committee on 10 July, the Committee approved the audited accounts and the Section 151 Officer submitted the Letter of Representation providing assurance about the information within the SOA.
- 5.1 On 10 July the Auditor issued an unqualified opinion that the accounts give a true and fair view of the Council's financial position as at 31 March 2018 and of its income and expenditure for the year then ended. The audit was formally closed, and the audited accounts were published on the Council's website. Once again this year, the SOA has only been produced in an electronic format.

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 The publication of the audited SOA meets a statutory requirement for financial reporting and is an important part of the process to demonstrate accountability in the use of public funds.

8. Publicity Considerations

- 8.1 The availability of the Audited SOA is advertised on the Council's website and can be accessed via the link shown below. The link also provides access to a Summary Statement of Accounts, which highlights the main areas of income and expenditure as well as the other core financial statements.

9. Other Standard References

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

Background Papers

Available on the Colchester Borough Council website:

<https://www.colchester.gov.uk/info/cbc-article/?catid=our-council-governance&id=KA-02175>

Audited Statement of Accounts 2017/18

<https://www.colchester.gov.uk/info/cbc-article/?catid=our-council-governance&id=KA-01764>

Draft Annual Statement of Accounts – Report to Governance & Audit Committee on 5 June 2018

<https://colchester.cmis.uk.com/colchester/MeetingCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/598/Committee/35/Default.aspx>

Annual Statement of Accounts – Report to Governance & Audit Committee on 10 July 2018

<https://colchester.cmis.uk.com/colchester/MeetingCalendar/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/599/Committee/35/Default.aspx>

4 September 2018

Report of	Assistant Director – Policy and Corporate	Author	Margaret Donaldson
Title	Annual Audit Letter 2017/18		☎ 282338
Wards affected	Not applicable		

1. Executive Summary

- 1.1 The Annual Audit Letter summarises the conclusions and any significant issues arising from Ernst & Young's audit procedures for the year ended 31 March 2018. The areas of work and their main conclusions are summarised in the following table:

Area of Work	Conclusion
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.
Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Statement of Accounts.
The Council's arrangements for securing economy, efficiency and effectiveness	The Council has put in place proper arrangements to secure value for money in its use of resources.
Consistency of Governance Statement	The Annual Governance Statement was consistent with the Auditors' understanding of the Council.
Public interest report	No matters to report in the public interest.
Written recommendations to the Council, which should be copied to the Secretary of State	No matters to report.
Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	No matters to report.
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA)	No matters to report.

2. Recommended Decision

- 2.1 To consider and note the contents of the 2017/18 Annual Audit Letter.

3. Reason for Recommended Decision

- 3.1 The Accounts and Audit Regulations require the Council to consider the Annual Audit Letter.

4. Alternative Options

4.1 Not applicable.

5. Background information

- 5.1 The 2017/18 Annual Audit Letter is attached to this report as an appendix.
- 5.2 The Audit Results Report was issued on 26 June 2018, and presented to the Committee on 10 July 2018.
- 5.3 The Auditors' certificate that they completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice was issued on 10 July 2018. This is in line with the earlier audit completion deadline of the 30 July as prescribed by statute.
- 5.4 In January 2019 the Auditor will also issue a report to the Committee summarising the grant certification work they have undertaken.

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. Publicity Considerations

- 7.1 The Annual Audit Letter has been publicised on the Council's website, and a hard copy of the document is available at Council offices in line with statutory requirements.

8. Financial Implications

- 8.1 The 2017/18 audit fees are detailed in the Annual Audit Letter. Additional fees of £1,465 were charged by Ernst & Young over the budgeted amounts. This was a result of changes in the net cost of service heading and resulting prior year comparator adjustments, additional audit procedures for the adjustment to IAS19 and additional follow up queries with the valuer for corroboration of valuer assumptions applied.

9. Other Standard References

- 9.1 Having considered 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

Appendix A - Annual Audit Letter for the year ended 31 March 2018

Background Papers

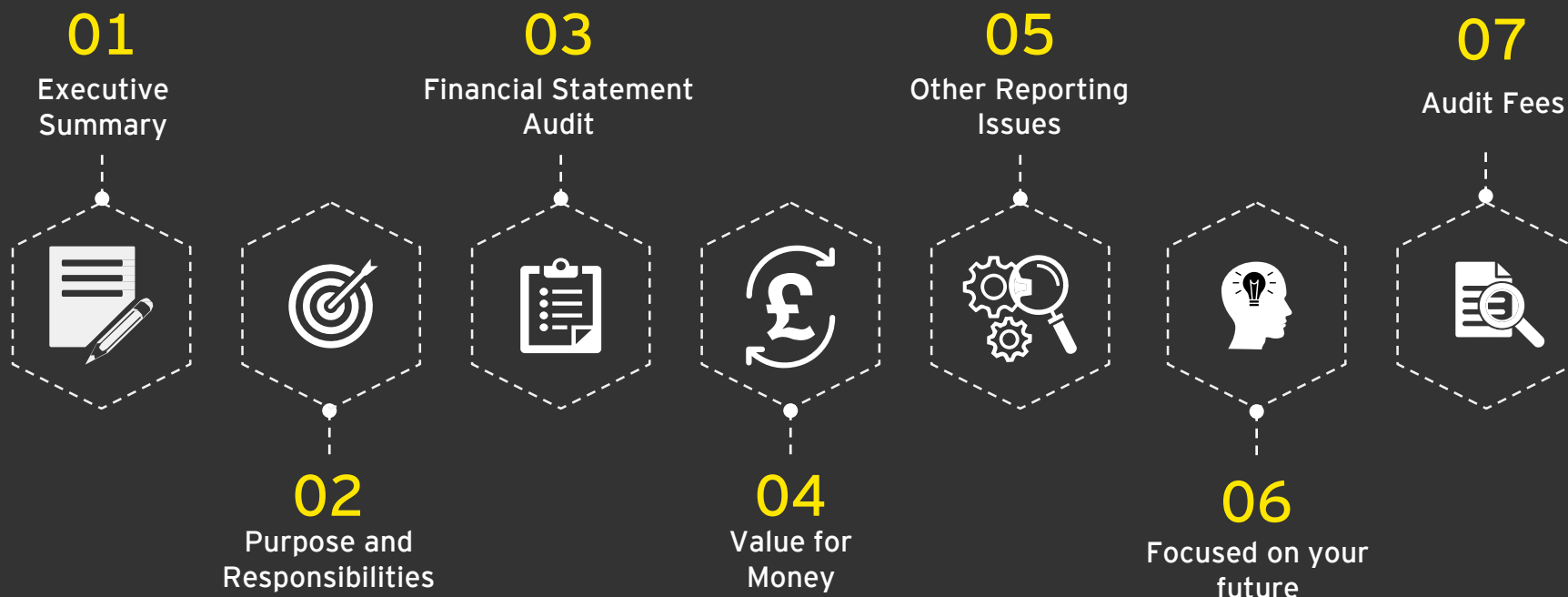
None

Colchester Borough Council

Annual Audit Letter for the year
ended 31 March 2018

August 2018

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and 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 23 February 2017)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

We are required to issue an annual audit letter to Colchester Borough Council (the Council) following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council
▶ Public interest report	We had no matters to report in the public interest
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report



Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was presented to the Governance and Audit Committee on 10 July 2018
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 10 July 2018

We will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken, once this work has been completed.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Kevin Suter

Associate Partner

For and on behalf of Ernst & Young LLP

Encl



02 Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 10 July 2018 Governance and Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 6 March 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2017/18 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £500m. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 10 July 2018. Our detailed findings were reported to the 10 July 2018 Governance and Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Risk of Fraud in Revenue and Expenditure Recognition</p> <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>	<p>We focused on:</p> <ul style="list-style-type: none"> Understanding the controls put in place by management relevant to this significant risk. Considering whether or not purchase invoices were being inappropriately classified as capital. Whether management were inappropriately processing journals that transferred amounts from revenue to capital. <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> Documented our understanding of the controls relevant to this significant risk and confirmed they have been appropriately designed. Reviewed and discussed with management any accounting estimates and policies on revenue or expenditure recognition for evidence of bias. Obtained breakdown of capital additions in the year and reviewed the descriptions to identify any items that could be revenue in nature. Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes. <p>Our testing did not identify any material misstatements from revenue and expenditure recognition. We judged all capital additions to be appropriately supported.</p> <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
Risk of Management Override 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.	<p>We focused on:</p> <ul style="list-style-type: none">▸ Understanding the risks of fraud and the controls put in place to address those risks by management and how the Governance and Audit Committee oversees management's processes over fraud.▸ Considering the effectiveness of management's controls designed to address the risk of fraud.▸ Determining an appropriate strategy to address those identified risks of fraud.▸ Performing mandatory procedures in respect of journal entries, estimates and significant unusual transactions. <p>We performed the following audit procedures:</p> <ul style="list-style-type: none">▸ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.▸ Reviewed accounting estimates for evidence of management bias.▸ Evaluated the business rationale for significant unusual transactions. <p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Area of Audit Focus	Conclusion
Property, Plant and Equipment Valuation 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.	<p>We focused on:</p> <ul style="list-style-type: none">▶ The adequacy of the scope of the work performed by the value including their professional capabilities.▶ The reasonableness of the underlying assumptions used by the Authority's expert valuer. <p>We performed the following audit procedures:</p> <ul style="list-style-type: none">▶ Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.▶ Sample tested key asset information used by the valuer in performing their valuation.▶ Considered revaluations in year, the basis of valuation of significant assets and any significant changes in use to ensure they remain appropriate if circumstances changed.▶ Reviewed assets not subject to full valuation in 2017/18 to confirm that the remaining asset base is not materially misstated. <p>Our testing did not identify any material misstatements from property, plant and equipment valuation.</p> <p>Overall our audit work did not identify any material issues or concerns with the scope of work or underlying assumptions used by the Authority's valuer.</p> <p>Our consideration of the annual cycle of valuations did not identify any issues with the implemented plan or with the movement on assets not revalued in year.</p>

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Area of Audit Focus	Conclusion
<p>Pension Valuation and Disclosures</p> <p>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.</p> <p>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.</p> <p>The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the Essex Pension Fund.</p> <p>As part of their actuarial review, councils are being asked to make additional payments to the pensions scheme to fund deficits.</p>	<p>We focused on:</p> <ul style="list-style-type: none"> ▶ The reasonableness of the underlying assumptions used by the Authority's expert - Barnett Waddingham. ▶ Ensuring the information supplied to the actuary in relation to Colchester Borough Council was complete and accurate. ▶ Ensuring the accounting entries and disclosures made in the financial statements were consistent with the report from Barnett Waddingham. <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> ▶ Liaised with the auditors of the administering authority (Essex County Council), to obtain assurances over the information supplied to the actuary in relation to Colchester Borough Council. ▶ Assessed the work of the Pension Fund actuary including the estimations and judgements they have used by relying on the work of PWC - Consulting Actuaries commissioned by National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team. ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. <p>We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the work required with no issues identified.</p> <p>We identified one issue with the estimate of total pension fund assets used by the actuary. Due to the timing of their estimation for total fund assets there was a material difference with the year-end Pension Fund value. This resulted in the year-end report being re-run and an adjustment to the pension asset figure of £3.359 million was made.</p>

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £2.7m (2016/17 £2.8m), which is 2% of gross expenditure on provision of services reported in the accounts. We consider gross expenditure on provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Governance and Audit Committee that we would report to the Committee all audit differences in excess of £0.136m (2016/17 £0.143m).

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Colchester Borough Homes transactions: We used a lower planning materiality threshold of £0.823m.
- ▶ Related party transactions: We consider materiality from the perspective of the related party body as well as the Council.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

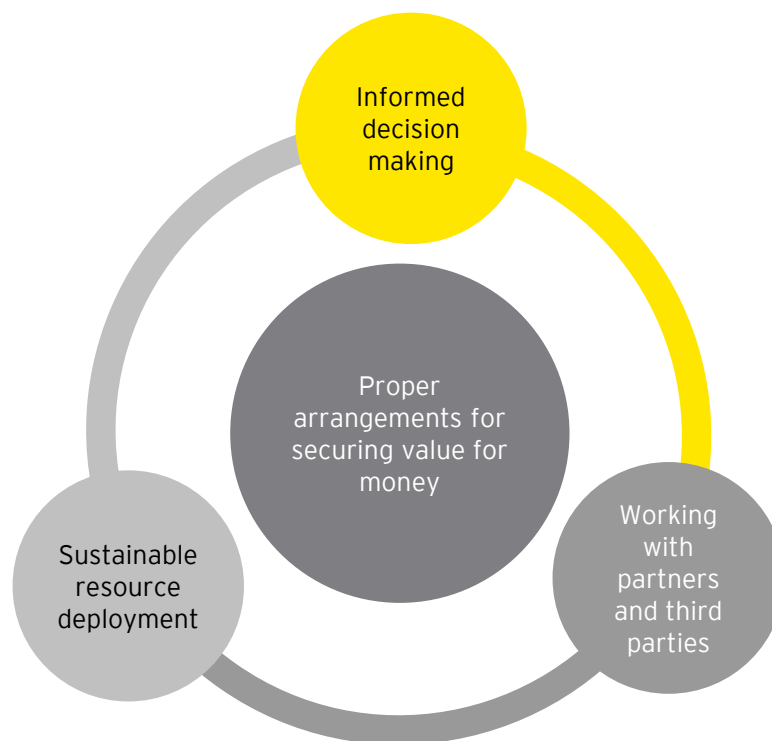


04 Value for Money

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. This is known as our value for money conclusion.

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.



We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.



05 Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £500m. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.



Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Governance and Audit Committee on 10 July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Governance and Audit Committee.



06

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below. The Council will need to keep these standards under continued focus during 2018/19.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets; ▶ Re-measure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



07

Audit Fees

Audit Fees

Our fee for 2017/18 is in line with the scale fee set by the PSAA and reported in our 10 July 2018 Audit Results Report.

	Final Fee 2017/18	Planned Fee 2017/18	Scale Fee 2017/18	Final Fee 2016/17
	£	£	£	£
Total Audit Fee - Code work (note 1)	64,047	62,582	62,582	64,066
Total non-audit services - Housing Benefit Subsidy (note 2)	tbc	13,640	13,640	15,450
Total Audit	tbc	76,222	76,222	79,516
Other non-audit services not covered above (review of the Pooling of Housing Capital receipts return) (note 3)	tbc	4,750	-	4,750
Total Fees	tbc	80,972	76,222	84,266

Note 1:

The final fee for 2017/18 includes a proposed further variation of £1,465 from the scale fee as a result of:

- changes in the net cost of service headings and resulting prior year comparator adjustments;
- additional audit procedures for the adjustment to IAS19; and
- additional follow up queries with the valuer for corroboration of valuation assumptions applied.

These variations remain subject to agreement with the PSAA.

Note 2:

The final fee for the Housing Benefit Subsidy certification will be confirmed upon completion by the 30 November deadline. We will report the final fee in our annual grant certification report.

Note 3:

This is the estimated fee for the 2017/18 Pooling of Housing Capital receipts return work.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2018 EYGM Limited.
All Rights Reserved.

ED None

EY-000070901-01 (UK) 07/18. CSG London.



In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com

4 September 2018

Report of	Assistant Director Policy and Corporate	Author	Darren Brown ☎ 282891
Title	Financial Monitoring Report – April to June 2018		
Wards affected	Not applicable		

1. Executive Summary

1.1 This report gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets. The financial position is summarised as follows:-

- The General Fund is showing a net underspend against services of £356k as at period 3. This includes less expenditure of £100k and more income of £256k, compared to profiled budgets.
- The current forecast outturn position for the General Fund is a net overspend of £150k.
- The Housing Revenue Account is showing a net underspend of £457k as at period 3, and is forecast to be on budget at the year-end.

1.2 Assistant Directors and their budget holders have undertaken a thorough review of the financial position for their services, which is reflected in this report. In addition, SMT continues to monitor the budget position on a monthly basis. The next report to the Committee will consider the position after 9 months, with the half-year position being reported to Scrutiny Panel in November. This half year review will provide a better opportunity to assess progress against budget targets and income levels, and any resulting necessary action to mitigate any forecast budget variance will be considered.

2. Action required

2.1 The Committee is asked to consider the financial performance of General Fund Services and the Housing Revenue Account (HRA) for the first three months of 2018/19, and to note the forecast budget overspend of £150k 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 three months to 30 June 2018, 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 £150k. 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 4.14 to 4.17. Budgets carried forward from 17/18 are now included in the schedules within this report, and as such will be monitored as part of the overall position.

General Fund – Position to 30 June 2018

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 £356k (favourable). This comprises total expenditure being £100k lower than expected and total income being £256k higher than expected. Appendix B breaks these variances down by subjective group.

Income

- 4.5 Income to the Council is above targets in a number of areas to date, but most notably in Planning and Housing, and across Customer and Environment service areas. We have however achieved less income in Sport and Leisure. As one of our main risk areas, income will continue to be closely monitored by officers on a monthly basis.

Expenditure

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

Outturn Forecast / Risk Areas

- 4.8 This is the first review this year of the 2018/19 budget position, and the current forecast outturn is a net overspend of £150k.

	£'000	
Service budgets	250	See paras. 4.9 – 4.10 and Appendix C
Technical / Corporate Items	(100)	See para 4.11
Potential net overspend	150	

Service Budgets

- 4.9 The following table sets out the forecast outturn for all service areas, with outturn variances. This shows a net forecast overspend of £250k. As the table shows, this is mainly due to additional expenditure of £483k. The largest areas contributing to this are; Employee costs of £220k which relates to the net impact of vacancy factor targets potentially not being met, vacant posts and agency costs; Premises costs of £68k (e.g. business rates and utility costs at Leisure World) and Supplies & Services costs of £48k (Materials in Domestic Collections and grant payments at Leisure World, the latter of which is matched by income). Finally, £105k relates to the additional costs agreed by Cabinet relating to Recycling Collections from Flats, although this is matched by additional income. In addition, the forecast includes more income of £233k, which primarily relates to recycling credits (£160k) and additional trade waste income (£45k).

Service	Forecast outturn		
	<i>Expenditure</i>	<i>Income</i>	<i>Net</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Policy & Corporate (incl. CDC)	147	(15)	132
Community	(48)	25	(23)
Customer	64	(33)	31
Environment	320	(210)	110
Total all services	483	(233)	250

- 4.10 Appendix C sets out details of all forecast variances against service budgets at the year-end totalling £250k. 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

- 4.11 The 2018/19 budget included an assumption of 2% for pay inflation. Given the actual pay award agreed was 1.5%, the resultant saving of circa £100k has been removed from service budgets and is now being held in our technical budget.

Summary position and action proposed

- 4.12 The forecast outturn shows a potential net overspend of £150k. Further more detailed work will be undertaken during Quarter 2 to ensure forecast outturn positions are robust, including areas where underspends to date have not been reflected in the forecast outturn position.
- 4.13 Assistant Directors and their budget holders have undertaken a thorough review of the financial position for their services, which is reflected in this report. In addition, SMT continues to monitor the budget position on a monthly basis. The next report to the Committee will consider the position after 9 months, with the half-year position being reported to Scrutiny Panel in November. This half year review will provide a better opportunity to assess progress against budget targets and income levels, and any resulting necessary action to mitigate any forecast budget variance will be considered.

Housing Revenue Account

- 4.14 The Housing Revenue Account (HRA) is a ring-fenced account which is affected by a number of variable factors. At the end of June 2018, the HRA is showing a net underspend of £457k compared to the profiled budget for the same period. This is primarily due to lower expenditure on Premises costs of £148k, and £213k more income than budgeted.

Position to date

- 4.15 Premises related costs are showing an underspend of £148k as at the end of June 2018. Overall, there is a net overspend of £2k 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 £26k on Council Tax on void properties, and £79k on Grounds Maintenance budgets, £3k on Utility and Water costs and £26k on Cleaning Contract costs which relate to the timing of expenditure.
- 4.16 We have received £213k more income at the end of June 2018. 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

- 4.17 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 2018/19 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 2018/19 revenue budget report that was approved by Council in February 2018 detailed a number of potentially significant risk areas that had been identified during the budget process. In addition, Assistant Directors identify a number of both positive and negative risk areas during the year.

Background Papers

None

Period 3 – 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		(10)	(18)	(28)	-	-	-
	Total	(10)	(18)	(28)	-	-	-
Executive Management Team							
	EMT	5	-	5	-	-	-
	Total	5	-	5	-	-	-
Community							
	Assistant Director Communities	-	-	-	-	-	-
	Cultural Services	(7)	3	(4)	(3)	2	(1)
	Community Zones	(163)	(10)	(173)	(41)	12	(29)
	Community Development	(36)	2	(34)	(4)	11	7
	Colchester Museums	-	(3)	(3)	-	-	-
	Subtotal	(206)	(8)	(214)	(48)	25	(23)
	Colchester & Ipswich Museums	(7)	(19)	(26)	25	(2)	23
	Total	(213)	(27)	(240)	(23)	23	-
Customer							
	Assistant Director Customers	(2)	-	(2)	-	-	-
	Customer Business	6	(36)	(30)	32	-	32
	Local Taxation & NNDR	(9)	(16)	(25)	7	-	7
	Customer Solutions	22	(25)	(3)	(33)	(32)	(65)
	Customer Experience	69	-	69	58	(1)	57
	Subtotal	86	(77)	9	64	(33)	31
	Benefits - Payments & Subsidy	108	1,057	1,165	-	-	-
	Total	194	980	1,174	64	(33)	31
Environment							
	Assistant Director Environment	(1)	-	(1)	-	-	-
	Recycling & Fleet	(61)	(31)	(92)	298	(218)	80
	Car Parking	(5)	4	(1)	-	-	-
	Licensing & Food Safety	8	(26)	(18)	3	-	3
	Environmental Health Services	16	(29)	(13)	21	(36)	(15)
	Electoral Services	5	(3)	2	-	-	-
	Land Charges	(7)	9	2	(3)	44	41
	Building Control	(3)	(6)	(9)	1	-	1
	Subtotal	(48)	(82)	(130)	320	(210)	110

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
	Parking Partnership (NEPP)	37	380	417	(156)	53	(103)
	Total	(11)	298	287	164	(157)	7
	Policy & Corporate						
	Assistant Director Policy & Corporate	17	-	17	6	-	6
	Finance	10	-	10	27	-	27
	ICT and Communications	11	5	16	34	-	34
	People and Performance	-	3	3	20	-	20
	Governance	(1)	(6)	(7)	5	-	5
	Place Strategy	(9)	(5)	(14)	(37)	-	(37)
	Planning	22	(44)	(22)	(17)	-	(17)
	Housing	(3)	(30)	(33)	-	-	-
	Garden Communities	8	-	8	-	-	-
	Subtotal	55	(77)	(22)	38	-	38
	<i>Company Related:-</i>						
	Client – Commercial Company	-	-	-	-	24	24
	Corporate Asset Management	21	(24)	(3)	16	(1)	15
	Commercial & Investment Properties	-	(25)	(25)	6	(9)	(3)
	Sport & Leisure	(3)	55	52	87	(29)	58
	Total	73	(71)	2	147	(15)	132
	Total (excl. Benefits, NEPP & JMC)	(100)	(256)	(356)	483	(233)	250
	Total (all)	38	1,162	1,200	352	(182)	170

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	5,957	5,798	159	23,011	22,735	276
	Premises Related	2,701	2,913	(212)	7,311	7,243	68
	Transport Related	436	482	(46)	2,899	2,815	84
	Supplies & Services	2,501	2,535	(34)	7,633	7,585	48
	Third Party Payments	1,525	1,536	(11)	4,229	4,222	7
	Transfer Payments	69	25	44	100	100	0
	Capital Financing Costs	0	0	0	110	110	0
	Total	13,189	13,289	(100)	45,293	44,810	483
	Income						
	Government Grant	(303)	(234)	(69)	(668)	(636)	(32)
	Other Grants & Reimbursements	(862)	(705)	(157)	(3,633)	(3,457)	(176)
	Customer & Client Receipts	(5,352)	(5,314)	(38)	(20,884)	(20,859)	(25)
	Income-Interest	(35)	(43)	8	(158)	(158)	0
	Inter Account Transfers	0	0	0	0	0	0
	Total	(6,552)	(6,296)	(256)	(25,343)	(25,110)	(233)
	Net	6,637	6,993	(356)	19,950	19,700	250

Forecast Outturn Variances

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Community Services				
Cultural Services	(3)	2	(1)	£3k underspend forecast (0.5%) which is offset by less income from advertising (1.3%).
Community Zones	(41)	12	(29)	The majority of the forecast underspend relates to savings of £50k (1.89%) in staff costs, mainly on pension costs as a result of staff opting out of the scheme. The underspend is partially offsetting £10k of voluntary redundancy costs. There is a small overspend within Zones/Sweepers on new stand pipes and additional asbestos clearance (2.9%). Less income at the Crematorium is forecast which relates to Memorial Garden and Book of Remembrance sales (0.6%).
Community Development	(4)	11	7	£5k saving forecast on food purchases (25%) is offset by shortfall in income from meal sales of £10.5k (26%) in Lion Walk Activity Centre.
Colchester and Ipswich Museums (CIMS)	25	(2)	23	CIMS is a ring fenced budget. There is a forecast overspend of £19k (1.1%) on staff costs. This is a mixture of savings from vacant posts and maternity leave savings, which are offset by additional casual staff costs plus the vacancy factor and staff savings yet to be delivered in year. Additional general expenses costs of £6k (2.5%) and IT costs £7k (27.3%), which are partially offset by savings on deep store costs in Heckworth of £5k (47.7%). £2k (0.2%) additional grant from Arts Council towards Training Museums after the final claim submission.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Customer Services				
Customer Business	32	-	32	With the implementation of the Futures 2 restructure in May, the Service is unable to commit any salary savings towards the vacancy factor target and is being forecast as an overspend at present. This is due to a number of staff working their notice periods and expected redundancy payments.
Local Taxation & Business Rates	7	-	7	Small overspend on employee costs forecast within the Council Tax Team, however grant funding from DWP is expected to match this cost.
Customer Solutions	(33)	(32)	(65)	With the implementation of the Futures 2 restructure in May, there are a number of vacant posts at the end of Quarter 1. Additional DWP funding has been received which relates to encouraging the move to on-line billing.
Customer Experience	58	(1)	57	Net overspend forecast on employee costs (2.9%), which is a combination of more resource needed on digital development/on-line processing, and not having had sufficient vacant posts yet this year to achieve the budget target for vacancies.
Environmental Services				
Recycling and Fleet	298	(218)	80	Following the waste service changes last year, recycling activity has increased to record levels and resulted in £160k (13.7%) more income from recycling credits being forecast. Employee costs are forecast to be overspent due to agency staff costs (1.01%) and not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (100%.) Vehicle running costs are forecast to overspend following an increase in prices for fuel (7.72%) Clear sacks and caddie stock levels are high and although purchasing for recycling materials is expected to slow down, a £20k overspend is forecast (9.09%) due to the record levels of recycling.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				The forecast also includes the additional costs and income agreed by Cabinet on 6 th June 2018, associated with recycling collections from flats.
Licensing and Food Safety	3	-	3	A overspend on employee costs relates to a Special responsibility payment awarded for role of Lead Food Officer over and above EHO role, backdated to April 2018 (0.5 %.)
Environmental Health Services	21	(36)	(15)	An employee overspend is forecast due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (49.33%.) Following the introduction of the Redress Penalty Scheme by Private Sector Housing, £10k additional income has been forecast.
Land Charges	(3)	44	41	A £44k shortfall in Search Fees income is forecast by year end. (12.69%)
Building Control	1	-	1	There is a small overspend of £1k on IT equipment being forecast.
North Essex Parking Partnership (NEPP)	(156)	53	(103)	NEPP budgets are ring-fenced and are expected to operate within budget, with any surplus or deficit being transferred to the Decriminalised Parking Reserve at year-end.
Policy & Corporate (incl. CDC)				
Assistant Director Policy & Corp	6	-	6	Forecast overspend relates to agency costs to cover vacant Assistant Director post (3.9%).
Finance	27	-	27	Forecast overspend relating to agency costs which are partially offset by the vacant finance manager post, and not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (3.8%).
ICT and Communications	34	-	34	Overspend forecast on employee costs (2.1%) mainly due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies.
People & Performance	20	-	20	Overspend forecast on employee costs (2.9%) mainly due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Governance	5	-	5	Overspend across employee costs mainly due to maternity cover costs (0.5%).
Place Strategy	(37)	-	(37)	Underspend forecast on employee costs (5.3%) due to vacant posts.
Planning	(17)	-	(17)	Underspend forecast on employee costs (1.9%) due to vacant posts.
Client – Commercial Company	-	24	24	A £24k shortfall is currently forecast against the £286k dividend that is due to be returned to the Council. Colchester Commercial Holdings Limited (CCHL) are looking to mitigate this shortfall by further development management consultancy, growth in corporate event bookings and the development of catering and bar operation at ticketed events.
Corporate Asset Management	16	(1)	15	Unbudgeted spend for Colchester Library Licence Fee (100%) and overspend relating to emergency spend on Town Hall PA system (13%).
Commercial & Investment Properties	6	(9)	(3)	Commercial properties have some small unplanned cost pressures including business rates £13k and security £2k although these are offset by some underspends, overall a £6k overspend has been forecast. Income currently on budget and a small surplus of £9k on a property in Vineyard St has been forecast.
Sport and Leisure	87	(29)	58	Business rates pressure of £34k which has been forecast along with a £16k water costs increase of 15%. Employees cost pressure of £19k mainly due to casuals superannuation, plus a £18k grant expenditure (off-set by matching income). An overall income surplus of £29k is forecast of which £18k is the matching grant income, and increased levels of Lifestyle memberships which are partially offset by lower levels of other customer income.

June 2018 Account Description	Current Period - June 2018			Forecast Year-End Position		
	Profiled Budget to Period 3 £'000	Actual to Period 3 £'000	Variance (under) / over £'000	Annual Budget £'000	Projected Outturn £'000	Variance (under) / over £'000
HRA - Direct & Non-Direct						
EXPENDITURE						
Employees	29	25	(4)	121	121	-
Premises Related	1,626	1,478	(148)	6,470	6,470	-
Transport Related	-	-	-			
Supplies & Services	217	155	(62)	832	832	-
Third Party Payments	1,160	1,153	(7)	3,491	3,491	-
Transfer Payments	28	5	(23)	112	112	-
Support Services	745	745	-	3,464	3,464	-
Capital Financing Costs	-	-	-	15,241	15,520	279
TOTAL EXPENDITURE	3,805	3,561	(244)	29,731	30,010	279
INCOME						
Other Grants & Reimbursements	(45)	(45)	-	(178)	(178)	-
Customer & Client Receipts	(7,748)	(7,961)	(213)	(29,222)	(29,501)	(279)
Income-Interest	-	-	-	(32)	(32)	-
Inter Account Transfers	-	-	-	(110)	(110)	-
TOTAL INCOME	(7,793)	(8,006)	(213)	(29,542)	(29,821)	(279)
TOTAL NET - HRA	(3,988)	(4,445)	(457)	189	189	-

4 September 2018

Report of	Assistant Chief Executive	Author	Margaret Donaldson ☎ 282338
Title	Capital Expenditure Monitor 2018/19 – April 2018 to June 2018		
Wards affected	Not applicable		

1 Executive Summary

- 1.1 The Panel is invited to review the progress against all capital schemes during the first three months of 2018/19.

2 Action Required

- 2.1 To review the progress of the schemes included in the capital programme, the associated spend for the first three months of the financial year, and the budget forecasts for 2018/19 and future years.
- 2.2 Note the requirement for the Council to prepare and publish a Capital Strategy to be in place for the 1st April 2019.

2 Reason for scrutiny

- 2.1 Monitoring the capital programme is important to ensure that:
- spending on projects are within agreed scheme budgets,
 - projects are delivered to the required level to support service delivery objectives within the designated budget, and
 - the Council maximises its available capital resources, supporting the Council's Treasury Management Strategy and associated statutory requirements.
 - Members have assurance that the key risks associated with the capital programme are being managed to ensure efficient and effective delivery of the programme.
- 2.2 This report also gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets and project delivery.

3 Background

- 3.1 The Council's capital programme includes capital expenditure in relation to the delivery of General Fund services, as well as capital expenditure in respect of the Housing Investment Programme, including expenditure on the Council's housing stock. It also includes the capital projects that form part of the Revolving Investment Fund (RIF).
- 3.2 It should be noted that the Capital Programme mainly consists of schemes where spending is planned across more than one year. Financial variances on schemes can arise as a result of reprofiling:
- of scheme budgets into the following financial year to reflect scheme progress on site,
 - to reflect changes in timing of payments, and
 - additional budget requirements due to changes in the nature of the scheme or unforeseen costs.

3.3 Any significant divergences from planned financial and non-financial activity would be brought to the Committees attention in the following paragraphs.

3.4 The table below provides a summary of the capital programme by service area:

	Total Prog.	2018/19 Spend Qtr 1	2018/19 Forecast	Future Years Forecast	(Surplus) / Shortfall
Service / Scheme	£'000	£'000	£'000	£'000	£'000
Communities	7,095	(40)	2,991	4,104	0
Environment	7,853	79	6,196	1,657	0
Policy and Corporate	39,536	258	10,737	28,799	0
Revolving Investment Fund	31,775	642	17,304	14,471	0
Completed Schemes	121	15	121	0	0
Housing Revenue Account	12,808	2,820	12,808	0	0
Total Capital Programme	99,188	3,774	50,157	49,031	0

3.5 Accrued capital spending for the first three months of the year totalled £3.8 million. This represents 7.5% of the projected spend for 2018/19. **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.

3.6 The capital programme has been adjusted to reflect the financial impact of the 2017/18 capital outturn, and has been increased by £16.7m this quarter to fund the 2018/19 Housing Investment Programme (£8.3m), Disabled Facilities Grants (£1.2m), funding for RTB paybacks as approved by Cabinet (£1.5m) and the funding of the Mercury Theatre Phase 2 (£5.5m) as well as various S106 and grant amounts. These changes to the Capital Programme are shown in **Appendix B**.

3.7 As detailed in the table above £32.8m of the capital programme reflects expenditure on traditional Council schemes directly supporting direct service delivery. These schemes are primarily fully funded from grant and s106 contributions. The remaining £66.4m of the capital programme comprises of either financial support to the Council's recently formed companies or schemes in progress through the Revolving Investment Fund; which bring with them a complex mix of funding, development management and can involve a number of Council partners to deliver the required outcomes.

3.8 These schemes result in different risks compared to traditional capital expenditure schemes. Funding arrangements can take time to put in place and can be more volatile in the short to medium term; which could result in temporary council funding. Expenditure can be the responsibility of a number of organisations, resulting in complex accounting, management and governance arrangements.

3.9 Where relevant the report will identify these complex risks and identify management action to mitigate key risks.

3.10 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.

3.11 **Appendix A** includes a RAG (Red, Amber, and Green) status of overall project performance against capital schemes. There are no changes to the RAG status position as reported at quarter 4 of 2017/18. Although there are no 'Red' schemes, a total of five schemes were classed as 'Amber' by the budget managers. The current position against these schemes is detailed in **Appendix D** to this report.

4 The Way Forward

- 4.1 As a result of the change in the nature of Local Authorities traditional capital expenditure plans, to more complicated asset investments in property (within and out with the district), LA Companies and collaborative arrangements with public and private sector partners; Central Government have raised concerns over the adequacy of risk assessment and robust financial/non-financial reporting to approve and monitor such arrangements. This has resulted in a statutory change requiring each Council to prepare and publish a robust 'Capital Strategy' which will underpin the Council's annual budget decision making and tax setting decisions, the Medium Term Financial Plan and Treasury Management Strategy. The Council's 'Capital Strategy' needs to be in place for 1st April 2019.
- 4.2 The capital programme reported in this paper will provide the supporting detail for the preparation of a robust capital strategy which as a minimum should cover a period of 5 years. Therefore it is important that the capital programme is complete, accurate and includes timely financial and non-financial information for Members to assess whether the Council's capital strategy is being achieved, the Council's identified appetite for investment risk is not being exceeded and the risks identified in the strategy are effectively managed to deliver the Council's objectives.
- 4.3 Officers will be reporting a draft 'Capital Strategy' to Scrutiny panel in January 2019, alongside the relevant budget papers for 2019/20 onwards.

5 Strategic Plan references

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

6 Financial implications

- 6.1 Within the details of this report.

7 Risk management implications

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

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.

Background papers - None

Service / Scheme	Projected Expenditure					(Surplus) / Shortfall		RAG Status	
	Total Programme	Spend to Q1	2018/19	2019/20	2020/21	2021/22	2022-24	2018/19 Q1	2017/18 Q4
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
SUMMARY									
Communities	7,094.8	(40.0)	2,990.8	4,104.0	0.0	0.0	0.0		
Environment	7,853.1	78.5	6,195.8	801.0	856.3	0.0	0.0		
Policy & Corporate	39,536.2	258.1	10,737.2	11,253.0	11,301.0	6,120.0	125.0		
Revolving Investment Fund (RIF)	31,775.0	642.3	17,304.0	14,241.0	230.0	0.0	0.0		
Completed Schemes	120.9	15.2	120.9	0.0	0.0	0.0	0.0		
Total (General Fund)	86,380.0	954.1	37,348.7	30,399.0	12,387.3	6,120.0	125.0		
Housing Revenue Account	12,807.6	2,819.8	12,807.6	0.0	0.0	0.0	0.0		
Total Capital Programme	99,187.6	3,773.9	50,156.3	30,399.0	12,387.3	6,120.0	125.0		
COMMUNITIES									
Cook's Shipyard Playsite Wivenhoe S106	7.6	0.0	7.6	0.0	0.0	0.0	0.0	G	G
Wivenhoe Adult Gym	16.0	0.0	16.0	0.0	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	0.0	G	G
Castle Park Improvements	192.7	0.0	192.7	0.0	0.0	0.0	0.0	G	G
Tiptree P C - Store & WCs S106	83.0	0.0	83.0	0.0	0.0	0.0	0.0	G	G
St Luke's Church Hall Tiptree	48.5	0.9	48.5	0.0	0.0	0.0	0.0	G	G
Mile End Sports Ground	22.5	19.0	22.5	0.0	0.0	0.0	0.0	G	-
Highwoods Country Park - Coffee Shop improvements	25.0	0.0	25.0	0.0	0.0	0.0	0.0	G	G
Walls - new merged scheme	126.5	0.4	22.5	104.0	0.0	0.0	0.0	G	G
Mercury Theatre Redevelopment Phase 1	63.7	(61.6)	63.7	0.0	0.0	0.0	0.0	G	G
Mercury Theatre Redevelopment Phase 2	6,325.7	1.3	2,325.7	4,000.0	0.0	0.0	0.0	G	G
Cemetery Extension	38.6	0.0	38.6	0.0	0.0	0.0	0.0	G	G
Cemetery Exterior Lighting	20.0	0.0	20.0	0.0	0.0	0.0	0.0	G	G
TOTAL - Communities	7,094.8	(40.0)	2,990.8	4,104.0	0.0	0.0	0.0		
ENVIRONMENT									
Shrub End Depot - new baler and shed	840.5	0.0	840.5	0.0	0.0	0.0	0.0	A	A
Waste Collection Strategy	17.7	1.5	17.7	0.0	0.0	0.0	0.0	G	G
Shrub End - Fuel Tank	50.0	0.0	50.0	0.0	0.0	0.0	0.0	G	G
Waste Fleet Vehicles	4,000.0	0.0	4,000.0	0.0	0.0	0.0	0.0	G	-
Mandatory Disabled Facilities Grants	2,657.3	77.0	1,000.0	801.0	856.3	0.0	0.0	A	A
Private Sector Renewals - Loans and Grants	287.6	0.0	287.6	0.0	0.0	0.0	0.0	G	G
TOTAL - Environment	7,853.1	78.5	6,195.8	801.0	856.3	0.0	0.0		
POLICY & CORPORATE									
Assistance to Registered Housing Providers	36.0	0.0	36.0	0.0	0.0	0.0	0.0	G	G
Use of 1-4-1 Right to Buy Receipts	1,346.0	0.0	700.0	646.0	0.0	0.0	0.0	G	G
Purchase of properties for temporary accommodation	2,880.0	215.0	2,880.0	0.0	0.0	0.0	0.0	G	G
Lending to new Council Housing Company	28,760.0	0.0	3,507.0	7,707.0	11,301.0	6,120.0	125.0	G	G
District Heating Project North	137.1	3.4	137.1	0.0	0.0	0.0	0.0	G	G
Colchester Northern Gateway Heat Network	5,900.0	0.0	3,000.0	2,900.0	0.0	0.0	0.0	G	G
Local Authority Carbon Management (LACM)	82.2	0.0	82.2	0.0	0.0	0.0	0.0	G	G
CCTV Monitoring	111.1	0.0	111.1	0.0	0.0	0.0	0.0	G	G
Open Space Provision	100.0	0.0	100.0	0.0	0.0	0.0	0.0	G	G
Charter Hall - improvements	109.7	39.7	109.7	0.0	0.0	0.0	0.0	G	G
LWC - Aqua Springs Refurbishment	74.1	0.0	74.1	0.0	0.0	0.0	0.0	G	G
TOTAL - Policy & Corporate	39,536.2	258.1	10,737.2	11,253.0	11,301.0	6,120.0	125.0		

Service / Scheme	Total Programme	Spend to Q1	Projected Expenditure					(Surplus) / Shortfall	RAG Status	
			2018/19	2019/20	2020/21	2021/22	2022-24		2018/19	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Q1	Q4
REVOLVING INVESTMENT FUND										
Northern Gateway North	119.8	16.0	119.8	0.0	0.0	0.0	0.0	0.0	G	G
CNGN - Mile End Cricket	122.2	101.5	122.2	0.0	0.0	0.0	0.0	0.0	G	G
CNGN - Sports Hub	23,201.4	243.5	12,591.4	10,610.0	0.0	0.0	0.0	0.0	A	A
Northern Gateway South	268.3	(99.7)	268.3	0.0	0.0	0.0	0.0	0.0	A	A
CNG - Marketing & Branding	81.3	0.0	81.3	0.0	0.0	0.0	0.0	0.0	G	G
Town Centre	4,715.6	301.4	950.0	3,535.6	230.0	0.0	0.0	0.0	G	G
Jacks - St Nicholas St	312.4	8.6	312.4	0.0	0.0	0.0	0.0	0.0	G	G
St Nicholas Square	35.0	0.0	35.0	0.0	0.0	0.0	0.0	0.0	G	-
Sheepen Road	138.2	(36.2)	138.2	0.0	0.0	0.0	0.0	0.0	G	G
Sheepen Road Phase 2	2,001.2	100.5	2,001.2	0.0	0.0	0.0	0.0	0.0	G	G
St Botolphs Public Realm	155.0	0.0	155.0	0.0	0.0	0.0	0.0	0.0	G	-
East Colchester Enabling Fund	217.4	0.0	217.4	0.0	0.0	0.0	0.0	0.0	G	G
Breakers Park	69.0	0.0	69.0	0.0	0.0	0.0	0.0	0.0	G	G
Surface Water Flooding - Distillery Lane/Haven Road	21.4	0.0	21.4	0.0	0.0	0.0	0.0	0.0	A	A
Site Disposal Costs	4.8	0.0	4.8	0.0	0.0	0.0	0.0	0.0	G	G
Moler Works Site	2.5	(0.6)	2.5	0.0	0.0	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	0.0	0.0	G	G
Business Broadband	19.1	0.0	19.1	0.0	0.0	0.0	0.0	0.0	G	G
Digital Strategy - feasibility	195.0	7.3	195.0	0.0	0.0	0.0	0.0	0.0	G	G
TOTAL - RIF	31,775.0	642.3	17,304.0	14,241.0	230.0	0.0	0.0	0.0		
COMPLETED SCHEMES (OR WHERE RETENTION ONLY OUTSTANDING)										
Creative Business Centre	0.6	0.0	0.6	0.0	0.0	0.0	0.0	0.0		
Colchester Business Centre	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0		
LWC - Health & Fitness Extension	21.5	0.0	21.5	0.0	0.0	0.0	0.0	0.0		
LWC - Leisure Pool Refurbishment	4.9	(7.1)	4.9	0.0	0.0	0.0	0.0	0.0		
Oak Tree Community Centre Roof	20.5	0.0	20.5	0.0	0.0	0.0	0.0	0.0		
Lion Walk Activity Centre	1.4	0.0	1.4	0.0	0.0	0.0	0.0	0.0		
Garrison Gym Rebuild	4.0	9.3	4.0	0.0	0.0	0.0	0.0	0.0		
Old Heath Recreation Ground Improvements	30.3	0.2	30.3	0.0	0.0	0.0	0.0	0.0		
Longridge Toddler Play Area	25.0	25.0	25.0	0.0	0.0	0.0	0.0	0.0		
Relocation of Museum Resource Centre	0.1	(14.0)	0.1	0.0	0.0	0.0	0.0	0.0		
Replacement of Cremators	4.8	0.0	4.8	0.0	0.0	0.0	0.0	0.0		
St Johns Car Park	7.8	0.0	7.8	0.0	0.0	0.0	0.0	0.0		
TOTAL - Completed Schemes	120.9	15.2	120.9	0.0	0.0	0.0	0.0	0.0		
HOUSING REVENUE ACCOUNT										
Housing Improvement Programme	9,595.0	1,874.9	9,595.0	0.0	0.0	0.0	0.0	0.0	G	G
Adaptations to Housing Stock	618.0	315.9	618.0	0.0	0.0	0.0	0.0	0.0	G	G
Sheltered Accommodation Review	114.0	90.6	114.0	0.0	0.0	0.0	0.0	0.0	G	G
Housing ICT Development	477.3	3.4	477.3	0.0	0.0	0.0	0.0	0.0	G	G
Council House New Build	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	G	G
Purchase of properties - HRA	2,003.3	535.0	2,003.3	0.0	0.0	0.0	0.0	0.0	G	G
TOTAL - Housing Revenue Account	12,807.6	2,819.8	12,807.6	0.0	0.0	0.0	0.0	0.0		

£'000	Detail
Capital Receipts	
155	St Botolphs Public Realm
1,900	Housing Investment Programme 2018/19
451	Purchase of Properties – HRA
2,506	Subtotal Capital Receipts
Revenue Contributions	
10	St Nicholas Square & Jumbo – from balances
22	Mile End Sports Ground
7	Mile End Pavilion – building maintenance plan
6,061	Housing Investment Programme 2018/19
(10)	Cemetery Lighting reduction in funding required.
6,090	Subtotal Revenue Contributions
Section 106	
1,402	Purchase of Properties - HRA
1,402	Subtotal Section 106
External Funding	
5,521	Mercury Theatre Phase 2 (Essex CC, SELEP, Arts Council)
1,186	Disabled facilities Grants – Government Grant
6,707	Subtotal External Funding
16,705	Total Change

Capital Programme – Significant areas of spend 2018/19

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 1 £'000	Commentary
Communities			
Mercury Theatre Phase 2	2,325	1	Funding from Arts Council England (£3.521m, Essex County Council (£1m) and SELEP (£1m) is now confirmed and has been added to the budget. Cabinet on 11 July 2018 delegated authority to award the works contract to the Chief Operating Officer in consultation with the Portfolio Holder for Business and Culture. There is a high degree of confidence that the full funding package will be in place. The Mercury Theatre has a fundraising target of circa £2m for its own works on the project. The expenditure profile may change when actual tender values are known.
Environment			
Waste Fleet	4,000	0	The specification and order has been placed for 25 waste vehicles to the value of £3.9m. By purchasing vehicles rather than leasing them significant annual revenue savings will be generated.
Shrub End Depot	840	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.

Capital Programme – Significant areas of spend 2018/19

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 1 £'000	Commentary
Policy & Corporate			
Lending to New Housing Company	3,507	0	Full Council on the 21 st February 2018, approved lending to the Council's Housing Company of £28.8m to support housing development as set out in the CCHL business plan. Timing of the actual payments to be confirmed and is subject to approval of proposed lending.
Purchase of Properties for Temporary Accommodation	2,880	215	This project is to purchase 16 properties to use as temporary accommodation for homeless households. One property has been purchased in quarter 1. Offers have been made and accepted on 6 more properties resulting in a financial commitment of £1.06m.
Revolving Investment Fund			
Northern Gateway - Sports Hub	12,591	243	Detailed planning consent now received subject to around 50 planning conditions. Contractor in the process of being appointed for the grass pitches. Main tenders to be returned October 2018. A report will be taken to Cabinet on 30 November 2018, aiming for a start on site early in the New Year. Archaeologists have completed work on the grass pitch area.
Town Centre	1,000	301	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.
Northern Gateway Heat Network	3,000	0	Cabinet on 15th March 2017, approved a proposal to create a heat network and supporting infrastructure on sites at northern gateway. Construction will be undertaken by Colchester Amphora Energy Ltd. Borehole investigations are continuing. State aid advice is suggesting a 2 company structure to separate use of Heat Network Investment Project (HNIP) grant and Renewable Heating Incentive (RHI) income - expecting to receive final report by mid August. This may lead to further tax advice being sought. The timing of tenders for scheme design to RIBA 3 is dependent on the outcome of the borehole investigations.

Capital Programme – Significant areas of spend 2018/19

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 1 £'000	Commentary
Amphora Place Phase 2	2,001	100	The second office building at Amphora is well underway with expected completion early 2019 to enable the tenant to carry out their fit out works and take occupancy by April 2019.
Housing Improvement Programme	9,595	1,875	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. The work carried forward from 2017/18 has been completed using newly procured contractors. Contracts have been let on a 1 year contract with the option to extend for a further year. The 2018/19 programme is slightly behind due to the 2017/18 work taking precedence but an action plan is in place to be back on programme by the end of Q2. Further procurement has been planned to complete the 5 year plan with a view to contracts starting in either 2019 or 2020. Contracts will be let individually in order to encourage smaller, local contractors to bid for work and not to be in a position whereby the delivery of multiple elements is based on the performance of one contractor.

Capital Programme – ‘Amber’ schemes April to June 2018/19

Scheme	Spend to Qtr.1 £'000	Commentary
Environment		
Shrub End Depot	0	Refer to Appendix C.
Disabled Facilities Grants	77	This budget is for the mandatory provision of adaptations for disabled people to enable them to remain living independently in their home. This includes people who own their own home and rent from a private or social landlord. 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 Ministry of Housing, Communities and Local Government (MHCLG) paid via the Better Care Fund. Agreement has been made to host an in house Occupational Therapist within the Council to enable fast track DFG s to enable timely hospital discharge. Opportunities to set up a Countywide Handyperson Service are also being explored. Additional staff have been recruited to the team and a further post is currently advertised, all being funded from this budget to enable more cases to be processed. Current value of committed grant funding is £202k.
Revolving Investment Fund		
Northern Gateway – Sports Hub	243	See Appendix C.
Northern Gateway South	(100)	The CBC Planning Committee has made a resolution to grant consent to the Turnstone full application. This decision was subject to a judicial review challenge, but has now been approved. The CNG Drainage Project is now complete and the system commissioned. However, there is an ongoing cost dispute between the parties and this is being dealt with by our legal team. This has required additional expenditure above the original budget allocation, which has been temporarily met from the RIF. Procurement of the professional team to deliver a hybrid planning application for the south side is complete with spend occurring late summer. Design work started on 15th July 18. Planning submission for the hybrid scheme aimed at December 2018. Negative spend to date results from unpaid invoices related to 2017-18 accruals relating to the drainage project. The project is shown as amber due to the issues resulting from the drainage project.
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, and managed by ECC. CBC contributed £53k S106 funding in 2017-18 towards a total project cost of £270k, the balance to be met by ECC and the Environment Agency. This works were completed in April. ECC and the Environment Agency continue to work on Hythe flood alleviation projects. No further payments are due from CBC.

Capital Programme – ‘Amber’ schemes April to June 2018/19
Status Key

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.

Governance and Audit Committee

Item
13

4 September 2018

Report of	Assistant Director of Policy and Corporate	Author	Jonathan Baker ☎ 282207
Title	Work Programme 2018-19		
Wards affected	Not applicable		

1. Executive Summary

- 1.1 This report sets out the current Work Programme 2018-2019 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 2018-19.

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.
- 4.3 Due to the number of items scheduled for the October Governance and Audit Committee, work is underway to schedule an additional meeting in November. Further information will be circulated to the Committee when available, alongside which items will be going to each meeting.

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 priorities and direction for the Borough as set out under the four themes of growth, responsibility, opportunity and wellbeing.
- 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 2018-19

Meeting date / Agenda items
Governance and Audit Committee - 5 June 2018
Governance and Audit Committee briefing – 31 May 2018
<ol style="list-style-type: none"> 1. 2018/19 Audit and Certification Fees letter 2. Draft Annual Statement of Accounts 2017/18 3. Year End Internal Audit Assurance Report 2017/18 4. Review of the Governance Framework and Draft Annual Governance Statement 5. Committee on Standards in Public Life Consultation on Local Government Ethical Standards Response
Governance and Audit Committee - 10 July 2018
Governance and Audit Committee briefing – 3 July 2018
<ol style="list-style-type: none"> 1. Annual Statement of Accounts 2017/18 2. Review of Meetings and Ways of Working Update
Governance and Audit Committee - 4 September 2018
Governance and Audit Committee briefing – 28 August 2018
<ol style="list-style-type: none"> 1. Colchester Borough Homes Annual Report and Governance Statement 2. 2017/18 Year End Review of Risk Management 3. Annual Audit Letter 4. Publication of Annual Statement of Accounts 2017/18 5. Financial Monitoring Report – April to June 2018 6. Capital Expenditure Monitor 2018/19
Governance and Audit Committee - 30 October 2018
Governance and Audit Committee briefing – 23 October 2018
<ol style="list-style-type: none"> 1. Local Government and Social Care Ombudsman Annual Review 2017/18 2. Mid-Year Internal Audit Assurance Report 2018/19 3. Treasury Management – Half Yearly Update 4. Health and Safety Policy and Annual Report 5. Review of the Council's Ethical Governance Policies 6. Review of the Members' Code of Conduct and the Council's "Arrangements" 7. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Officers 8. Review of Local Code of Corporate Governance 9. Income and Debt Policy 10. Equality and Safeguarding Annual Update 11. Member/Officer Protocol Review
Governance and Audit Committee - 15 January 2019
Governance and Audit Committee briefing – 8 January 2019

<ul style="list-style-type: none"> 1. Certification of Claims and Returns – Annual Report 2017/18 2. Interim Review of the Annual Governance Statement Action Plan 3. Risk Management Progress Report 4. Annual Review of Business Continuity
Governance and Audit Committee - 5 March 2019
Governance and Audit Committee briefing – 26 February 2019
<ul style="list-style-type: none"> 1. External Audit Plan for year ending 31 March 2019 2. Financial Monitoring Report 3. Capital Expenditure Monitor 2018/19 4. Internal Audit Plan 2018/19