

# Governance and Audit Committee Meeting

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

**Tuesday, 07 September 2021 at 18:00**

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

# Information for Members of the Public

## Access to information and meetings

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

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

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

## Have Your Say!

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

## Audio Recording, Mobile phones and other devices

The Council audio records public meetings for live broadcast over the internet and the recordings are available to listen to afterwards on the Council's website. Audio recording, photography and filming of meetings by members of the public is also welcomed. Phones, tablets, laptops, cameras and other devices can be used at all meetings of the Council so long as this doesn't cause a disturbance. It is not permitted to use voice or camera flash functions and devices must be set to silent. Councillors can use devices to receive messages, to access meeting papers and information via the internet. Looking at or posting on social media by Committee members is at the discretion of the Chairman / Mayor 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, using the contact details below and we will try to provide a reading service, translation or other formats you may need.

## Facilities

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

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

### **Accounts and Audit**

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

### **Governance**

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

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

### **Other regulatory matters**

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

To determine and approve Community Governance Reviews.

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

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

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

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

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

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

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

### **General**

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

**COLCHESTER BOROUGH COUNCIL**  
**Governance and Audit Committee**  
**Tuesday, 07 September 2021 at 18:00**

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

Councillor Dennis Willetts	Chairman
Councillor Leigh Tate	Deputy Chairman
Councillor Kevin Bentley	
Councillor Michelle Burrows	
Councillor Adam Fox	
Councillor Chris Hayter	
Councillor David King	
Councillor Steph Nissen	
Councillor Gerard Oxford	

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

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

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

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

**1 Welcome and Announcements**

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

**2 Substitutions**

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

**3 Urgent Items**

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

- 4     **Declarations of Interest**
- Councillors will be asked to say if there are any items on the agenda about which they have a disclosable pecuniary interest which would prevent them from participating in any discussion of the item or participating in any vote upon the item, or any other pecuniary interest or non-pecuniary interest.
- 5     **Minutes of Previous Meeting**
- The Councillors will be invited to confirm that the minutes of the meeting held on 27 July 2021 are a correct record.
- Draft minutes - 27-07-2021** 7 - 20
- 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     **Financial Monitoring Report – April to June 2021** 21 - 36
- The Committee will consider a report summarising the financial position of Colchester Borough Council.
- 8     **Capital Expenditure Monitor 2021/2022** 37 - 54
- The Committee will consider a report setting out the Council's Capital Programme against budget for quarter 1 financial year 2021/22.
- 9     **Treasury Management – Annual Review 2020/21** 55 - 72
- The Committee will consider a report management which covers all the borrowing and investment activities of the Council, as part of the cycle of monitoring treasury.
- 10    **Revised timetable to finalise the audit of the Statement of Accounts 2020/21** 73 - 76
- The Committee will consider a report setting out the revised timetable to finalise the audit of the Statement of Accounts 2020/21.
- 11    **Review of the Council's Processing of Special Category & Criminal Convictions Personal Data Policy** 77 - 84
- This report requests the Committee to review the Council's new Processing of Special Category & Criminal Convictions Personal Data Policy. This is a new policy which the Council is required to have under Data Protection Act 2018.

The Committee will consider a report setting out the work programme for the Governance and Audit Committee for the forthcoming municipal year.

**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**

**27 July 2021**

*Present:-* Councillor Michelle Burrows, Councillor Adam Fox, Councillor Chris Hayter, Councillor Gerard Oxford, Councillor Steph Nissen, Councillor Leigh Tate, Councillor Dennis Willetts (Chairman)

*Substitutions:* Councillor Jackie Maclean for Councillor Kevin Bentley  
Councillor Martin Goss for Councillor David King

*Also Present:-* Councillor Sue Lissimore, Portfolio Holder for Resources

### **264. Declarations of Interest**

Councillor Goss declared a non-pecuniary interest as he was a director of the Amphora Trading company.

### **265. Minutes of the previous meeting**

*RESOLVED* that the minutes of the meeting held on 22 June 2021 be confirmed as a correct record.

### **266. Have Your Say!**

Councillor Buston attended the Committee and spoke of his concern concerning a new policy which Colchester Borough Council (the Council) was to introduce which would prevent the automatic forwarding of emails from official Council email accounts, to Member's own email accounts. Councillor Buston contended that this policy was both unnecessary and unjustified when considering the risks that email forwarding posed, arguing that Councillor's own email addresses or those of their employer may have the benefit of cyber security stronger than that employed by the Council. The practical difficulties that would be faced by Members in the light of the new policy were highlighted should Members still wish to use their own computers and email accounts to conduct their business, together with the avoidable expense to the taxpayer should Members elect to receive new mobile phones and laptops from the Council to facilitate email access. It was Councillor Buston's contention that information likely to be sent to Councillor via mail forwarding in the course of properly undertaking their duties was extremely unlikely to contain information so sensitive that it would compromise the security of the Council's computer system.

Councillor Buston advised the Committee that it was technically possible to segment the Council's domain into security-dependent hierarchical subsystems, including a low security system which would allow email forwarding, together with one or two higher security systems containing information of increasingly greater value and subject to two-factor, or even two-person authentication. Councillor Buston expressed his support for the need for a robust information technology security policy, together with a General Data Protection Regulations (GDPR) policy supported by appropriate firewall software, which he believed could be implemented at relatively low cost.

It was acknowledged that the issue surrounding the automatic forwarding of emails was a matter of risk management, where the needs of the organisation had to be balanced against the need to function effectively and efficiently on a day to day basis. It was suggested that part of this risk assessment should acknowledge that the majority of Councillors also had day jobs and were not full time paid employees of the Council, but rather volunteers who were paid a small allowance and who did not necessarily possess proficient computer skills.

Councillor Buston urged the Council to take an approach of ease and simplicity with regard to the forwarding of emails in order to allow Members to serve their constituents properly and allow for the least expense to the public purse.

Councillor Willetts thanks Councillor Buston for his contribution, and noted that a review of Colchester Borough Council's cyber security provisions was to be considered by the Committee at its forthcoming meeting in October.

## **267. Review of digital meetings following Covid-19 – verbal update**

Andrew Weavers, Strategic Governance Manager, attended the Committee to provide a verbal update on the provision of digital meetings in the light of the Covid-19 pandemic. The Committee heard that in response to the Covid 19 pandemic the Government brought in the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales Regulations 2020, which had enabled Local Authorities to hold virtual remote formal decision-making meetings. These Regulations had expired on 7 May 2021, and following a court challenge, it became clear that they could not be extended, and in order for Local Authorities to be able to hold formal virtual /hybrid meetings going forward the Government is required to introduce primary legislation.

At the Council meeting in December 2020, recommendations that had been made by the Governance and Audit Committee in October 2020 had been adopted, which included continuing to hold meetings remotely for the remainder of the municipal year, and the continued holding of briefings and non-decision making meetings online. A letter had also been written to government requesting that the provisions for holding remote meetings be continued. In April 2021 a challenge had been made through the Courts, which had not been opposed by the Secretary of State, with the aim of determining that remote meetings could continue lawfully, but unfortunately



this challenge had been rejected by the Court, meaning that decision making meetings now had to be held physically.

The Committee heard that a number of staff and Councillors had expressed some anxiety about the return to physical meetings under the current circumstances, and there was a need to consider how to address this to allow physical meetings to be held while mitigating concerns. It was noted, however, that some Councillors had expressed a desire to return to physical meetings, and there was a need to seek a balanced approach which recognised both points of view. Following the removal of social distancing requirements on 19 July 2021, there was nothing preventing Local Authorities from holding physical meetings with no restrictions placed upon attendees, however, Government guidance had been updated to make it clear that it was the duty of Local Authorities to mitigate the risks posed to their employees as far as possible, and this duty also extended to Councillors by virtue of the Health and Safety at Work Act 1974. It was for this reason that the decision had been taken to continue with social distancing measures for Council meetings.

The Committee heard that it was possible for Councillors to nominate a substitute for meetings if they did not wish to attend in person, or to attend meetings remotely via the internet, but this would mean that they would not be able to vote and was disenfranchising Councillors from participating in the democratic process. It was not possible to arrange a substitute for Cabinet or Full Council meetings, and it was possible that a situation would arise that it was not possible to hold a quorate meeting due to Councillors being unable to attend in person due to the requirement to self-isolate. It was highlighted to the Committee that should Councillors attend a meeting remotely by logging into the meeting via the internet, that their attendance in this manner would not count as an attendance at the meeting for the purposes of the six month, rule and Officers and Group Leaders would need to monitor this to ensure that Councillors did not fall foul of this rule.

Careful consideration was being given to a number of technological solutions which would enable and support hybrid meetings to take place, but there was no easy solution. Each of the rooms in the Town Hall presented its own set of difficulties, and following advice from the Council's own Information Technology Team and independent consultants, it was likely that each meeting room in the Town Hall would need its own bespoke solution to allow the live streaming of meetings, and remote attendance. The Committee were reminded that it was a requirement of face to face meetings that these be accessible to the public, and although it was possible to arrange for members of the public to attend remotely over the internet, facilities had to be made available for those who wished to attend a meeting in person to address Councillors. The Committee was assured that Officers would continue to work to ensure that meetings would be held in a Covid safe manner to safeguard Councillors and member of the public alike.

Councillor Willetts noted that the Governance and Audit Committee had in the past supported the move towards providing digital meetings with the aim of increasing public participation, but that the challenges of providing such meetings had been clear even before the onset of Covid-19. The requirements of social distancing in

relation to Covid-19 had highlighted the technical issues inherent in providing a digital solution to broadcasting meetings and allowing remote attendance, without the necessity of using an array of very expensive equipment at the taxpayers' expense, and the difficulties that had been drawn to the Committees' attention indicated that any advances to be made in this area were likely to be slow. Andrew Weavers confirmed that the views of the Committee were being sought, and he recommended that the matter be further considered at a future meeting of the Committee in October, in accordance with the published work programme.

Councillor Oxford advised the Committee that he had been required to self-isolate recently along with Councillor Beverley Oxford, who had been able to attend a Cabinet meeting remotely, but had not been able to vote on any items discussed. It was his opinion that the ability to participate in the democratic process had been adversely affected by the isolating requirements, and that in the future the ability to hold hybrid meetings which would allow Councillors to attend remotely and also vote should be the way forward. He additionally noted that many Councillors worked during the day, which potentially made it more difficult for them to attend physical meetings, and the ability to participate fully by attending hybrid meetings remotely via the internet should be made available when legislation permitted this, a view that was supported by the increased attendance and public engagement that had been associated with remote meetings over the past year.

Councillor Fox supported the comments made by Councillor Oxford and suggested that Councillors should be concerned about the potential that some Councillors may not be able to attend meetings in person and would not be entitled to vote via an online attendance. He suggested that this was a particularly pertinent issue for Colchester Borough Council given the current delicate political balance, and thought that no administration should be put in the position that it was unable to carry out its intended business due to a lack of Councillors available to vote at a Council meeting due to the requirement to self-isolate, or any other reason. Councillor Fox suggested that the amount of money that had been spent on Covid-19 related social distancing measures in relation to holding meetings should be assessed and made public, and noted that this short term expense would also be coupled with the longer term expense associated with providing more permanent broadcasting or remote access solutions.

Councillor Nissen noted the potential cost to the taxpayer of implementing Covid-19 secure measures, including more permanent solutions, but considered that the ability to provide remote access to meetings granted a significant improvement in accessibility and public participation. She considered that further consideration of the position should be retained in the work programme for the Committee to consider at a later date.

Councillor Burrows commented that the health and wellbeing of Councillors and Officers was of paramount importance, and suggested that creating the capacity to hold hybrid meetings was something which needed to happen.

Councillor Willetts noted that there had been much sympathy and support for a hybrid meeting system to be put in place, from both the point of view of bolstering the

democratic process, and allowing increased public participation. The Committee were reminded that it had been agreed that in the short term all briefing meetings and non-decision meetings would continue remotely, but he noted that the Council was dependent on Government changing the rules to allow remote or hybrid meetings to take place in the future before putting in place any longer term solutions.

## **268. Annual report of Colchester Commercial Holdings Limited for 2020/2021**

Andrew Tyrrell, Client and Business Manager for Colchester Borough Council, and Paul Smith, Group Commercial Director for Colchester Commercial Holdings Limited (CCHL), attended the meeting to present the report and assist the Committee with its enquiries.

The Committee heard that CCHL was the Council's principle commercial company, with three subsidiary companies underneath it; Colchester Amphora Energy Limited, Colchester Amphora Homes Limited and Colchester Amphora Trading Limited. The Council is the sole shareholder for CCHL and the Amphora Companies, and as such retained control over their strategic direction and what it was hoped that they would achieve. The companies have been active for the past three years and have recorded two successful first years where the expansion dividend targets had been achieved, before a difficult third year which was adversely affected by the Covid-19 pandemic, the impact of which has been felt across all sectors and activities of the companies. Although some of the areas of operation of the companies, such as Helpline, had been able to provide a positive reaction to the pandemic, other areas, such as events, has been badly affected. It was, however, highlighted that the companies had been set up with a diverse range of activities in order to provide resilience which had been particularly important during the pandemic, and which had allowed a dividend to be paid to the Council in year three. Although it was particularly difficult to predict the future, it was considered that under the circumstances the companies have provided a relatively successful financial return in the year.

One of the key elements of the companies was that they maintained a public sector ethos, in support of the Council's Strategic Priorities, including the provision of affordable homes and the commencement in construction of the heat network which will be one of the largest of its type in the United Kingdom. The Committee heard that the Council had received two awards in 2020 which both related to the setting up of the companies and the decisions that the Council had taken in 2018; the Local Government Chronicle's 'Entrepreneurial Council of the Year', and the Municipal Journal's 'Best Commercial Council' award. The prestigious awards provided external acknowledgement of the achievements of Colchester Borough Council.

Paul Smith advised the Committee that although the previous year had been a difficult one, CCHL had still been able to deliver a dividend of £226,000. The achievements of the Capital Projects Team were highlighted, with a key achievement being the delivery of the completed Northern Gateway Sports Park, partially funded by secured partnership funding from British Cycling and Cricket totalling £690,000. In addition to this, work had been completed on the infrastructure design of the

Colchester Northern Gateway project, including highways outline approval and the development of a hybrid planning application. Amphora Trading had also provided support for the strategic priorities of the Council, including development and community engagement with the creative industries, and helping the Council secure £3.7m funding from the South East Local Enterprise Partnership in relation to the development of the Queen Street Bus Depot site. It was confirmed to the Committee that the commercial companies were set up to support the strategic priorities of the Council and this included ensuring that any grants that were awarded to the Council were allocated to the scheme that they were intended to support.

With regard to the work of the Estates and Asset Management Team, the Committee heard that this team managed all commercial leases of the Council and during the pandemic all tenants had been managed in accordance with Government requirements. The Council's property investment portfolio was worth in the region of £42.5m, and a high rent collection rate had been achieved in spite of the pandemic.

The restrictions on mass gathering which had been in place over the preceding year had a major impact on the events and weddings which had been able to be held, with associated impact on revenue from the Events business. The impact of the pandemic had been managed as far as was possible through the delivering of weddings where permitted and rescheduling events in line with Government advice, and a successful bid had been made to the Cultural Recovery Fund for £90,000 to support recovery from Covid. The opportunity had been taken to review the operation of the Events business during the pandemic, and events would now be run as cashless events to improve safety and efficiency, and the Old Library building had been brought back into use for events.

The Helpline service had proved to be an essential service for local residents over the past year, through both monitoring and the use of its 'lifting' service which assisted customers who had experienced a fall, and it was emphasised that this was a local service provided by local people. With regard to the sports and leisure activities of the companies, the Committee heard that the Sports Park had opened, and Leisure World had been operating as far as was possible in accordance with Government guidelines.

Some of the key priorities for 2021-2022 were highlighted to the Committee, including the completion of the first phase of Colchester Northern Gateway South infrastructure such as The Walk and the Western Access Road, and the achievement of outline planning approval for all uses including residential, commercial, and healthcare.

Work was to continue with Colchester Amphora Trading leading development of S.106 funded community buildings at Stanway and North Colchester, as well as the development of the new St Mark's Community Centre and the scheme at the Queen Street Bus Depot together with public spaces in the town centre such as St Nicholas Square and Balkerne Gate. The deployment of the 'metronet' was being project managed by the companies, and this aimed to provide super-fast broadband and support the continued development and improvement of the closed circuit television (CCTV) network in the town.

Through the forthcoming year, the management of the Council's estate and assets would continue, with the aim of limiting the loss of rental income and securing the letting of office space at Rowan House which was currently undergoing improvement works.

It was intended that there would be a recovery of the events programme in line with Government guidelines, and it was noted that the demand for weddings had been high following the easing of restrictions. Development of relationships with external public bodies would continue, together with the development of the hospitality offering at the Town Hall.

With regard to the CCTV and Helpline services, the Town Centre CCTV system would be upgraded to a fully digital system with increased coverage and capability, and there would be a digital upgrade of the Helpline operating system to facilitate the expansion of digital services to customers.

Turning to Colchester Amphora Energy, the Committee were advised that in the preceding year the feasibility of the Northern Gateway's Micro Grid which would provide sustainable green energy to the Sports Park and the Northern Gateway. A tender for the installation of the Northern Gateway's Heat Network had also been issued. In the forthcoming year, it was intended to commence construction of the Energy Centre, and to carry out stage 2 of the feasibility report into the Micro Grid which formed part of the ongoing work to support the sustainability aims of the Council.

The Committee heard that Colchester Amphora Homes had made a number of key achievements during 2020-2021 which included the redevelopment of the Creffield Road site into six apartments (two with affordable rent) and two, three bedroom, houses to be completed by July 2021. Construction was proceeding on three garage sites at Buffett Way, Scarfe Way and Hardings Close, with completion due by August 2021 and January 2022 and a review of Phase 2 development sites had been carried out. Looking ahead to 2021-2022, it was hoped that Creffield Road Sales would be complete by August 2021 and progress would be made on the Military Road and Northern Gateway South sites.

With regard to the financial position of CCHL, it was anticipated that profit for redistribution in the forthcoming year would be relatively modest due to the impact of the pandemic, but that this would significantly increase in the years 2022-2023 and 2023-2024, as housing stock became available for sale.

The activities and achievements that had been highlighted to the Committee were described as an illustration of the diversity of what the companies had achieved, together with an indication of future activities. The business plan of CCHL was to expand in a controlled manner to ensure that the company could continue to meet the demands of the Council.

Councillor Willetts offered his congratulations on the achievements of CCHL, and noted that CCHL was a national leader in the way it conducted its business, with the dividend realised contributing to the Council's provision of essential services. The Committee were reminded that the Governance and Audit Committee was interested

in the activities of the companies, but also in their financial operation as the Shareholder Committee for CCHL Councillor Willetts noted that CCHL charged the Council a management fee to carry out many of its activities, while at the same time paying the Council for rent and other services, and he wondered what difference the adjustment of any of these fees would make to the dividend available at the end of the financial year. He sought assurance that the dividend of £226,000 that had been paid was the best that could have been achieved under the circumstances.

Paul Smith responded by confirming that the Shareholder Committee could consider what it wished to achieve from the companies, and whether a low or high dividend was sought. He explained by way of example that the Amphora companies did receive a management fee from the Council to cover the internal services provided back to the Council, and in return made use of a number of council services, such as human resources, office space, IT, Fleet, etc which were governed by a number of Service Level Agreements (SLAs). The Companies therefore bare its own operating costs which were no longer accounted for in the Council's budget, as well as hiring services from the Council in addition to delivering a dividend back to the Council. The Committee heard that it was possible to carry out a segmented analysis to explain clearly the management of the different SLAs in effect and their impact on the dividend, but that any information provided in this regard would be subject to commerciality and would have to be presented to the Committee once the public had been excluded.

Councillor Willetts expressed his opinion that the companies were run as very high quality organisations in terms of their management and the services offered, and he wondered whether the level of quality negatively impacted on the dividend available, and whether more profit could be obtained by providing the same services at a medium level of quality.

Paul Smith explained that the companies were heavily governed by the Council by virtue of the Governance and Management Agreements which were in place, and under these agreements, the manner in which the companies were able to procure and operate was tightly controlled. Additionally, of huge importance was the fact that the housing company had been set up to always deliver 30% affordable housing which will impact on the returns that the housing company will be able to make in the future. It was pleasing to note that the companies were doing everything possible to return the highest dividend while at the same time supporting the processes of the Council, local planning policy and Strategic Priorities

Councillor Willetts enquired whether it would be beneficial for the companies to be able to procure goods and services on the open market, and whether this would allow for increased dividends to be paid. It was confirmed that the companies could expand the business with external customers, and it was for the shareholder to consider the future of the company's expansion. To realise the maximum benefit of the companies, they would need to evolve a medium and long term business plan for the CCHL Group to be financially stable in their own right, and not dependent on funding from the Council.

In response to an enquiry from Councillor Tate, Andrew Tyrrell confirmed that the broadband network was being rolled out to cover the whole of Colchester, with the Council owning the metronet that was being installed to receive the broadband signal which it would then distribute around Colchester town. The proposed scheme would not cover rural areas due to the cost of the cabling and infrastructure required, however, the Committee were informed that the Council had used its social housing estate in the urban area to link to parts of Colchester that would otherwise not have been serviced by the open market, and as a result of this Greenstead had received broadband access which it might otherwise not have received for ten years. Councillor Willetts noted the inherent difficulty in balancing the need to deliver a profit by providing as many people with access to broadband as possible, with the needs of providing the rural areas with this support.

Councillor Fox enquired about the long term future of Colchester Amphora Homes and future sites that may have been identified for development. He noted that Cabinet had agreed to consult on two different sites, which were the Vineyard Gate and Britannia Road car park which it was hoped would be able to deliver approximately 190 homes, and he enquired what activity would take place in the forthcoming year to deliver these homes.

Andrew Tyrrell confirmed that both sites were still under consideration, together with development in the town centre which had the potential capacity to provide a link between the developments. In terms of the future pipeline of development opportunities, the development at Northern Gateway South represented three to four years of work which would provide 350 homes, and additional sites had been identified in the Local Plan. It was acknowledged that no matter how much land was owned, it would eventually run out, and work is continuous to identify suitable sites for future development.

Councillor Lissimore, Portfolio Holder for Resources, confirmed to the Committee that the Council wished to take as holistic approach as was possible in approaching this issue by liaising closely with as many other local authorities and land owners as possible with the view to obtaining the greatest benefit possible for the people of Colchester. Councillor Fox was pleased to hear this but wondered whether or not bringing additional land into play would create a delay in delivering the homes already identified. Councillor Willetts pointed out that the purpose of the current report before the Committee was to review the year past, but it was Councillor Fox's opinion that the future success of the companies, which the Committee had been asked to consider, was dependent on a constant pipeline of work which would enable the retention of key staff and the continued growth which had been identified as a commercial target. Councillor Lissimore gave an assurance to the Committee that every site that had been identified was to be examined in detail to provide the best return in terms of both profit and social benefit to the people of Colchester.

Councillor Oxford sought clarification on the number of dwellings that were to be built in the Northern Gateway South development. He expressed his pleasure that the Old Library was now being used as a venue, however, he questioned the appropriateness of the picture of a bride and groom being outside the Mayors

Parlour. He asked whether it was intended to provide ultra-fast broadband to Highwoods and Mile End.

It was confirmed that the Council would not be able to provide a fibre broadband network to Highwoods as this area had been contracted to British Telecom, who would be providing the service there. The Panel heard that Colchester Amphora Housing would be providing three hundred and fifty homes at the Northern Gateway South Development, however, the total number of dwellings that would be provided would be seven hundred and twenty five.

In response to a question from Councillor Burrows, Paul Smith confirmed that the events business had been cash driven, particularly with regard to the purchase of food and refreshments at events, and that during the pandemic a review of the logistical difficulties had been considered. A recommendation had been made via an internal audit, and the period of lockdown had been used to transform the way in which payments were taken by the events company, which had necessitated installing a new till system.

Councillor Willetts reminded the Committee that it was being asked to both review the performance of CCHL, and to consider making recommendations to Cabinet in respect of the performance management arrangements of the company for the future that would help to ensure continued growth and the provision of a dividend to the Council.

Paul Smith suggested that if the Committee, acting as Shareholder Committee, wished to consider the future strategy of CCHL, then it may be appropriate to commission a detailed piece of work looking into how CCHL could seek to move away from reliance in being underwritten and funded by the Council. Without consideration being given to this strategy, it was suggested that the companies' potential for expansion and growth would very limited. The Committee were invited to suggest that due consideration be given to the provision of a report by CCHL highlighting the technicalities and legislation governing the companies, and in the light of this to identify the best method of moving forward to build balance sheet strength in the CCHL Group for long term growth and stronger performance.

Given the schedule of forthcoming meetings, it was proposed that a draft minute be prepared for approval of the Chairman and Group Spokespersons to allow the resolution to be considered by Cabinet at its next meeting on 1 September 2021, which occurred prior to the next meeting of the Governance and Audit Committee on 7 September 2021.

**RESOLVED** that:

- The Committee noted that it had reviewed the performance of CCHL (and its subsidiaries) during 2020/21, having regard to the performance information for the year.
- Cabinet be requested to commission CCHL to provide a detailed report examining the best method to develop Balance Sheet strength so CCHL can



be more financially independent, while operating under the Governance and Management Agreement framework which governs the operation of the companies.

## **269. 2020/2021 Year End Review of Risk Management**

Hayley McGrath, Corporate Governance Manager, attended the meeting to present the report and assist the Committee with its enquiries. The Committee heard that they were required to review the risk management process annually, and were being asked to consider the risk management process for the financial year 2020-2021, with regard to how Colchester Borough Council (the Council) had managed risks. The Committee was advised that it also had the responsibility to consider the proposed Risk Management Strategy, and if this were approved, recommend to Cabinet that it be adopted as part of the Council's Policy Framework subject to ratification by Full Council.

The Committee heard that in broad terms risks were split into three categories – strategic, operational and project, and that identified risks in each of the categories were judged against levels of probability and impact to give them an overall score. The majority of work that had been undertaken over the past year had been in response to the pandemic, and the overall risk management function also included a number of other services of the Council including health and safety, business continuity and emergency planning. These areas were key to ensuring that the Council was able to continue to deliver services in a manner that was effective during the Covid-19 pandemic. Contributions were made to the Essex Resilience Forum, which was a multi-agency group tasked with responding to the pandemic in key areas such as testing and the location of vaccination centres.

Work had been undertaken with partner organisations, and the Council managed the assurance and risk programmes for Colchester Commercial Holdings Limited (CCHL), and care was taken to align the commercial risks identified with the risks of the Council to ensure that no conflicts arose with the management of these. In addition to this, the Council had also taken on the management of the insurance programme for Colchester Borough Homes (CBH) and had been able to save them money by utilising the economies of scale that were granted through aligning the policies of CBH and the Council.

Over the past year, work had been undertaken with the Council's own Safety Advisory Group (SAG) as well as the SAG for the stadium, and these groups were made up of many partner organisations and were convened to examine event management plans for key events in the area where high attendance was expected. The risk processes for the Joint Museum Service and the Parking Partnership were also examined, and these organisations maintained their own risk registers.

The Committee heard that there was no legal requirement to review the proposed Risk Management Strategy each year, but that an annual review was considered best practice to ensure that the Strategy was still appropriate and that risks were being managed in the most effective way possible. At this time, no changes were

proposed to the way that risks were managed, as it was felt that the process used was still appropriate.

The Strategic Risk Register was owned by the Council's Senior Management Team and was reviewed on a regular basis, at least once per quarter, when the issues which were facing the organisation were considered. There were no set criteria to determine which risks should remain on the Register, but a very considered approach was taken to determining this. Covid-19 had been identified as the top risk, followed by spending power, compliance, financial inequality and cyber security. Although the top risks identified all had links to the Covid-19 pandemic, the risk posed by Covid had been kept separate as the level of risk posed in the future was unknown, and could escalate rapidly. For example, rapid changes which may be required in the future to the ways in which services had to be delivered may lead to governance processes not being complied with as fully as the Council would wish.

The Committee heard that items placed on the Register were assigned a score based on their probability and impact prior to any mitigating steps being taken, and then re-scored in the light of mitigating actions proposed or taken, which left a residual score. Although some very high risks had been identified, and were shown as red on the Register, following mitigation it was considered that there were no very high risks left.

Councillor Fox noted that the Covid-19 pandemic had been largely underestimated globally, and wondered whether there were risks relating to similar catastrophic disasters which would remain on the Council's Register indefinitely. Hayley McGrath explained that in order to make the Register a really useful management tool, it was necessary to try to be realistic in terms of events that were likely to happen, and she would not recommend that a one-off catastrophic event be included on the Register. It was, however, pointed out that one of the elements of the Register was the emergency planning and business continuity work, which was designed to deal with catastrophic events as they arose. The Council had a statutory duty as a category three responder under the Civil Contingencies Act 2004 to have an emergency planning function to react to any such disaster such as large scale flooding, or a flu pandemic. The Business Continuity Plan worked alongside this function to ensure continuous delivery of services was possible during a disaster period, and considered such things as staffing levels, Council buildings and Information Technology (IT) issues. All the Senior Management Team of the Council were part of the First Call Officers Group, and received regular training in respect of their responsibilities as part of this Group in relation to the Business Continuity Plan.

In response to a query from Councillor Tate, Hayley McGrath confirmed that an item on customer confrontation had been removed from the Register as during the pandemic there had been a move away from face to face physical contact with customers, and as a result there had been less confrontation. Although confrontation did still happen, this was managed through the health and safety in the workplace policies and would be dealt with in the Operational Risk Registers for Customer Services as opposed to the Strategic Risk Register.

Councillor Willetts noted that a number of identified risks were interlinked, such as cyber security and data protection, and the delivery of services to partners. It was explained that initially cyber security and data protection had been considered as a single risk, however, the issues of cyber security had become so much more of a key issue that it was felt appropriate to separate them out. The Committee heard that data protection did not just relate to IT, and included paper files and data held in any other manner which could be compromised due to a security breach or officer error. Cyber security related to an emerging threat, and it was considered that attacks on the organisation may not just attempt to steal data, but could also be intended to stop service delivery. With regard to risks associated with partnership delivery, these were concerned on one hand with ensuring that partnerships were appropriate and fulfilling the function assigned to them, while at the same time considering the implications of a failure of those partnerships on service delivery.

In response to a question as to why financial inequality was considered to be a risk, the Committee heard that financial inequality had, in recent times, become the focus of a number of teams of the Council as the Covid-19 pandemic has affected people in different ways. Some residents of the borough had been able to improve their financial position during the pandemic, while others had lost their jobs and found themselves in a much worse position. As a result of this the gap between those with financial security and those without had grown, with more people seeking support from the Council than before.

Councillor Fox reminded the Committee that at the meeting of Full Council in December 2020, a motion had been passed to tackle inequality, and part of the motion required the Council to consider the impact of its decisions on financial inequality. It was suggested that it was therefore appropriate that this item be featured on the Register.

**RESOLVED:** that the submission of this report to Cabinet to approve the risk management strategy for 2021/22 be endorsed.

## **270. Work Programme**

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

Following a request to consider moving some items from the agenda of the meeting scheduled for November to the meeting of the Committee scheduled in October this year, it was explained that although the items to be considered in November looked to be of great length, the policies that were addressed were appropriately considered at the same time.

The Committee heard that a request had been made for an additional policy to be considered at its next meeting in September.

**RESOLVED:** that the content of the Work Programme be agreed, and that an additional agenda item in respect of the Processing of Special Category Data Policy be included for the September meeting of the Committee.



7 September 2021

<b>Report of</b>	<b>Assistant Director Corporate and Improvement</b>	<b>Author</b>	<b>Darren Brown</b> 📞 282891
<b>Title</b>	<b>Financial Monitoring Report – April to June 2021</b>		
<b>Wards affected</b>	Not applicable		

## 1. Executive Summary

- 1.1 This report gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets. The financial position is summarised as follows:-
- The General Fund is showing a net overspend against services of £777k as at period 3. This includes less expenditure of £884k and less income of £107k, compared to profiled budgets.
  - The current forecast outturn position for the General Fund is a net overspend of £146k.
  - The Housing Revenue Account is showing a net underspend of £203k 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 6 months. 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 2021/22, and to note the forecast budget overspend of £146k 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 2021, 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 £146k. 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 4.16 to 4.20. Budgets carried forward from 20/21 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 2021

#### *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 £777k (favourable). This comprises total expenditure being £884k lower than expected and total income being £107k lower than expected. Appendix B breaks these variances down by subjective group.

#### *Income*

- 4.5 Income to the Council is below targets in a number of areas to date, but most notably in Museums, Bereavement and Domestic & Trade waste. However, income levels are above profiled budgets within Sport & Leisure and Planning.

#### *Expenditure*

- 4.6 There are underspends against profiled budgets in a number of services areas, predominantly within premises and third-party payments. 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 formal review this year of the 2021/22 budget position, and the current forecast outturn is a net overspend of £146k.

	£'000	
Service budgets	869	See paras. 4.9, 4.10 and Appendix D
Technical / Corporate Items	(723)	
<b>Potential net overspend</b>	<b>146</b>	

#### *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 £869k. As the table shows, this is mainly due to additional expenditure £569k, although our income is still being impacted by Coronavirus in some areas, albeit to a lesser extent than 20/21. The largest areas contributing to the net forecast position are;

- Planning: More income of £85k.
- Sport & Leisure: Net income shortfall of £98k from NGW Sports site.
- Neighbourhood Services: £175k Vacancy factor pressure, £381k additional staff costs predominantly in waste, £118k saving on contractor costs and £104k more paper collection/recycling income, and shortfalls in income of £60k in trade waste and £91k on market and beach huts.
- Corporate & Improvement: £97k vacancy factor pressure and £79k less travel plan parking income.
- CCHL Dividend: £111k being forecast in line with agreed business plan.
- Museums: Income shortfall of £119k.
- Bereavement: Income shortfall of £84k.
- Pay award saving for 21/22 of £123k
- Gain from interest payable/earned of £300k
- Additional estimated Sales, Fees & Charges Government support of £300k.

Service	Forecast outturn		
	Expenditure	Income	Net
	£'000	£'000	£'000
Corporate & Improvement (incl. CDC)	100	79	179
EMT (including additional Coronavirus costs)	(7)	-	(7)
Community	27	235	262
Customer	38	(23)	15
Environment	469	59	528
Place & Client	(58)	(50)	(108)
<b>Total all services</b>	<b>569</b>	<b>300</b>	<b>869</b>

### Appendix C

- 4.10 Appendix C shows the original Council budget, the outturn forecast and variance. The purpose of this table is to bring together the overall revenue budget and show the impact of Government funding and the required use of reserves.

### Corporate / Technical Items

- 4.11 The budget includes a number of corporate and technical budget areas such as net interest earnings, the provision to repay debt, pension costs and some non-service specific grants. It is currently forecast that there will be a saving on interest payable of £300k, as we haven't needed to borrow as planned given our higher cash balances and thus the ability to internally borrow. Furthermore, there is a saving of £123k relating to the 21/22 pay award assumptions included in the budget.
- 4.12 The 21/22 budget included an initial estimate of £500k for Sales, Fees & Charges income support from the Government for Quarter 1. Based on indicative income losses for Quarter 1, it is likely we will now claim more than this original estimate. Therefore, it is being assumed that we will claim an additional £300k in income support. This is a prudent assumption and will be reviewed and updated once Government have issued the claim for completion.
- 4.13 Appendix D sets out details of all forecast variances against service budgets at the year-end totalling £869k. To provide some context on the scale of the variances shown in Appendix D, a percentage value has been included within the comments which shows the proportion of the relevant budget that it represents. For example, an underspend due to vacant posts or the vacancy factor would be expressed as a proportion of the total employees budget for that area.

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

- 4.14 The forecast outturn shows a potential net overspend of £146k. Further more detailed work will continue to be undertaken during Quarter 2 to ensure forecast outturn positions are robust, including those income areas where they have been particularly impacted by Coronavirus and as we progress into the recovery phase.
- 4.15 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 6 months. 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**

- 4.16 The Housing Revenue Account (HRA) set out in Appendix E is a ring-fenced account which is affected by a number of variable factors. At the end of June 2021, the HRA is showing a net underspend of £203k compared to the profiled budget for the same period. This is primarily due to lower expenditure on Premises costs of £281k and Supplies and Services of £59k, and £147k less income than budgeted.

#### ***Position to date***

- 4.17 Premises related costs are showing an underspend of £281k as at the end of June 2021. Overall, there is a net underspend of £50k 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 £12k on Council Tax on void properties, and £66k on Grounds Maintenance budgets, £151k on Utility and Water costs which relate to the timing of expenditure.
- 4.18 Supplies & Services costs are underspent by £59k at the end of June. There is a general underspend across most budget headings which primarily relate to the timing of expenditure, the main area being IT costs of £29k.
- 4.19 We have received £147k less income at the end of June 2021. This primarily reflects the net impact of rental & service charge income being lost from dwellings and garages than assumed within the budget, through a combination of voids and the level of Right to Buy sales, along with the timing of acquisition and additions to our housing stock.

#### ***Forecast Outturn***

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

## **5. Standard References**

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

## **6. Strategic Plan References**

- 6.1. The priorities within the Strategic Plan are reflected in the Medium-Term Financial Forecast, which makes assumptions regarding government grant/funding and Council Tax income, and identifies where necessary savings will be found in order to achieve a balanced budget. The 2021/22 revenue budget was prepared in accordance with the Strategic Plan's priorities, in the context of the Council facing growing financial pressures. Budget monitoring enables the financial performance against these priorities to be assessed.



## **7. Financial Implications**

- 7.1. As set out above.

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

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

## **9. Risk Management Implications**

- 9.1. Risk management is used throughout the budget cycle, and this is reflected in the strategic risk register. The 2021/22 revenue budget report that was approved by Council in February 2021 took into consideration a number of potentially significant risk areas that had been identified during the budget process. In addition, Assistant Directors identify a number of both positive and negative risk areas during the year.
- 9.3 Extensive modelling work has been undertaken to understand the impacts and variables arising from the crisis.
- 9.4 Leisure and commercial income are very dependent on factors beyond the Council's control including the return of consumer confidence, and the pace of recovery.
- 9.5 Modelling has been undertaken with service managers to assess the potential range of impacts before adopting the assumptions reflected within the report.
- 9.6 All the above and other significant uncertainties and risks will have to be managed. Further material change is likely to budget assumptions and the actions needed to ensure a balanced budget.

## **Background Papers**

None

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

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
<b>Corporate &amp; Democratic Core</b>		(63)	30	(33)	-	-	-
	<b>Total</b>	<b>(63)</b>	<b>30</b>	<b>(33)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Executive Management Team</b>							
	EMT	(9)	-	(9)	(16)	-	(16)
	Coronavirus	16	(8)	8	9	-	9
	<b>Total</b>	<b>7</b>	<b>(8)</b>	<b>(1)</b>	<b>(7)</b>	<b>-</b>	<b>(7)</b>
<b>Community</b>							
	Assistant Director Communities	(5)	-	(5)	(6)	-	(6)
	Licensing & Food Safety	(6)	31	25	15	2	17
	Community Safety	(1)	-	(1)	-	-	-
	Environmental Health Services	(3)	6	3	-	-	-
	Building Control	(4)	13	9	9	-	9
	Community Initiatives	(10)	-	(10)	24	-	24
	Private Sector Housing	(7)	7	-	(15)	18	3
	Bereavement Services	(14)	68	54	5	84	89
	Cultural Services	(6)	9	3	(5)	12	7
	Colchester Museums	(6)	83	77	-	119	119
	<b>Subtotal</b>	<b>(62)</b>	<b>217</b>	<b>155</b>	<b>27</b>	<b>235</b>	<b>262</b>
	Colchester & Ipswich Museums	(32)	46	14	(8)	57	49
	<b>Total</b>	<b>(94)</b>	<b>263</b>	<b>169</b>	<b>19</b>	<b>292</b>	<b>311</b>
<b>Customer</b>							
	Assistant Director Customers	-	-	-	-	-	-
	Accounts & Debt	27	(3)	24	20	(1)	19
	Local Taxation & Business Rates	4	11	15	11	3	14
	Benefits & Hub	(5)	-	(5)	1	-	1
	Contact & Support Centre	16	2	18	(7)	-	(7)
	Electoral Services	154	-	154	6	-	6
	Customer Digital & Systems	(10)	2	(8)	1	-	1
	Land Charges	(1)	(34)	(35)	6	(25)	(19)
	<b>Subtotal</b>	<b>185</b>	<b>(22)</b>	<b>163</b>	<b>38</b>	<b>(23)</b>	<b>15</b>
	Benefits - Payments & Subsidy	(854)	697	(157)	-	-	-
	<b>Total</b>	<b>(669)</b>	<b>675</b>	<b>6</b>	<b>38</b>	<b>(23)</b>	<b>15</b>
<b>Environment</b>							
	Assistant Director Environment	(1)	-	(1)	(9)	-	(9)
	Neighbourhood Services	(202)	74	(128)	478	59	537
	Zones	-	-	-	-	-	-

		Position to date			Forecast Outturn		
	Area	Spend	Income	Net	Spend	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
	Car Parking	(23)	5	(18)	-	-	-
	<b>Subtotal</b>	<b>(226)</b>	<b>79</b>	<b>(147)</b>	<b>469</b>	<b>59</b>	<b>528</b>
	Parking Partnership (NEPP)	16	323	339	(181)	-	(181)
	<b>Total</b>	<b>(210)</b>	<b>402</b>	<b>192</b>	<b>288</b>	<b>59</b>	<b>347</b>
	<b>Place &amp; Client</b>						
	Assistant Director Place & Client	3	-	3	-	-	-
	Place Strategy	49	-	49	17	-	17
	Housing	42	(28)	14	(7)	-	(7)
	Planning	14	(84)	(70)	1	(85)	(84)
	Sustainability & Climate Change	31	(24)	7	5	-	5
	Garden Communities	-	-	-	-	-	-
	<b>Subtotal</b>	<b>139</b>	<b>(136)</b>	<b>3</b>	<b>16</b>	<b>(85)</b>	<b>(69)</b>
	<i>Company Related:-</i>						
	Client – Commercial Company	-	-	-	-	(111)	(111)
	Corporate Asset Management	(78)	47	(31)	1	-	1
	Commercial & Investment	(128)	(68)	(196)	-	(27)	(27)
	Sport & Leisure	(683)	(67)	(750)	(75)	173	98
	<b>Total</b>	<b>(750)</b>	<b>(224)</b>	<b>(974)</b>	<b>(58)</b>	<b>(50)</b>	<b>(108)</b>
	<b>Corporate &amp; Improvement</b>						
	Assistant Director Corporate & Improvement	1	5	6	-	-	-
	Finance	(58)	11	(47)	-	-	-
	ICT	(3)	(6)	(9)	27	-	27
	People and Performance	(5)	21	16	4	79	83
	Governance	47	4	51	58	-	58
	Communications	43	-	43	11	-	11
	<b>Total</b>	<b>25</b>	<b>35</b>	<b>60</b>	<b>100</b>	<b>79</b>	<b>179</b>
	<b>Total (excl. Benefits, NEPP &amp; JMC)</b>	<b>(884)</b>	<b>107</b>	<b>(777)</b>	<b>569</b>	<b>300</b>	<b>869</b>
	<b>Total (all)</b>	<b>(1,754)</b>	<b>1,173</b>	<b>(581)</b>	<b>380</b>	<b>357</b>	<b>737</b>

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

		Position to date			Forecast Outturn		
		Actual	Budget	Variance	Actual	Budget	Variance
	Subjective	£'000	£'000	£'000	£'000	£'000	£'000
	<b>Expenditure</b>						
	Employees	6,061	5,984	77	24,314	23,651	663
	Premises Related	2,139	2,869	(730)	7,022	7,069	(47)
	Transport Related	325	365	(40)	1,759	1,751	8
	Supplies & Services	2,462	2,415	47	8,537	8,484	53
	Third Party Payments	1,466	1,706	(240)	5,002	5,110	(108)
	Transfer Payments	113	111	2	442	442	0
	Capital Financing Costs	0	0	0	110	110	0
	<b>Total</b>	<b>12,566</b>	<b>13,450</b>	<b>(884)</b>	<b>47,186</b>	<b>46,617</b>	<b>569</b>
	<b>Income</b>						
	Government Grant	(659)	(664)	5	(679)	(682)	3
	Other Grants & Reimbursements	(755)	(724)	(31)	(2,942)	(2,828)	(114)
	Customer & Client Receipts	(4,647)	(4,791)	144	(18,914)	(19,325)	411
	Income-Interest	(63)	(52)	(11)	(209)	(209)	0
	Inter Account Transfers	0	0	0	0	0	0
	<b>Total</b>	<b>(6,124)</b>	<b>(6,231)</b>	<b>107</b>	<b>(22,744)</b>	<b>(23,044)</b>	<b>300</b>
	<b>Net</b>	<b>6,442</b>	<b>7,219</b>	<b>(777)</b>	<b>24,442</b>	<b>23,573</b>	<b>869</b>

**Summary showing Overall Council budget and latest forecasts.**

	<b>2021/22 Original Budget</b>	<b>2021/22 – P3 Forecast</b>	<b>2021/22 – P3 Forecast Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Base Budget</b>	24,514	24,514	0
One-off items	(2,915)	(2,915)	0
Cost Pressures	2,372	2,372	0
Cost Pressures - Transformation & Recovery	500	500	0
Cost Pressures - Covid-19 - Economic & Income	4,129	4,129	0
Growth Items	375	375	0
Savings	(2,528)	(2,528)	0
Change in use of NHB for one off investment	(1,419)	(1,419)	0
2021/22 Forecast Outturn		446	446
<b>Forecast Base Budget</b>	<b>25,028</b>	<b>25,474</b>	<b>446</b>
<i>Funded By:</i>			
Business Rates Baseline	(4,300)	(4,300)	0
SFA	(4,300)	(4,300)	0
Increase in NNDR / taxbase above baseline	(1,620)	(1,620)	0
Business Rates Pooling	(200)	(200)	0
New Homes Bonus	(2,430)	(2,430)	0
Lower Tier Government Grant	(622)	(622)	0
Government Reimbursement - Covid-19	(993)	(993)	0
Government Reimbursement - Covid-19 - Income Support	(500)	(800)	(300)
<b>Total Gov't grants &amp; business rates</b>	<b>(10,665)</b>	<b>(10,965)</b>	<b>(300)</b>
Council Tax	(12,588)	(12,588)	0
Collection Fund Deficit / (Surplus)	37	37	0
Business Rates Deficit / (surplus)	12,787	12,787	0
Contribution to / (Use of Reserves)	(12,199)	(12,199)	0
Use of Reserves for Covid-19 - 19/20 C/Fwds	(500)	(500)	0
Use of Reserves for Covid-19 - Unringfenced Grants	(950)	(950)	0
Use of Reserves for Covid-19 – Repairs & Renewals	(950)	(950)	0
<b>Total Funding</b>	<b>(25,028)</b>	<b>(25,328)</b>	<b>(300)</b>
<b>Forecast Overspend / (Underspend)</b>	<b>0</b>	<b>146</b>	<b>146</b>

**Forecast Outturn Variances**

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
EMT				
Executive Management Team	(16)	-	(16)	Underspend forecast due to a vacant director post (5%).
Corona Virus	9	-	9	A code had been set up in the EMT budget to capture Covid costs of pay for those people who have worked additionally on Covid related roles. This was done to capture the information in case we needed to make a claim to MHCLG for such costs. This will result in showing a net overspend in the EMT budget for April and May 2021 pay (100%).
Community				
Assistant Director Environment	(6)	-	(6)	Small savings forecast due to part/time PA vacant post.
Licensing and Food Safety	15	2	17	Forecast overspend in Supplies & Service costs (71%) on legal costs £5k and unmet demand survey £10k. Estimated income shortfall of £2k (0.5%) in Licensing.
Building Control	9	-	9	£10k (200%) forecast overspend on outsourcing surveying services.
Community Initiatives	24	-	24	£24k employee overspend is forecast due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies
Private Sector Housing	(15)	18	3	Employees underspend of £15k (3%) due to more staffing costs being charged to the capital DFG budget. £18k shortfall in income (10%) from CBH, Redress penalty scheme and Legal notices.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Bereavement Services	5	84	89	Small salary overspend £2k (1%), and £3k (11%) overspend on Assisted funeral referrals. £81k (6%) income shortfall on Cremations and £3k (50%) less income recovery from Assisted Funerals. There is a backlog of memorial income recovery underway and should show an improvement in the next quarter.
Cultural Services	(5)	12	7	Underspend on casual staff costs of £2k (1%). £3k (30%) underspend on goods for resale is offset by £6k (33%) shortfall in VIC sales income. Further income shortfall of £6k (42%) from Guided Tours and Advertising.
Colchester Museums	-	119	119	Forecast less income of £6k (18%) on Guided Tours and £113k (23%) on general admissions and schools income. This is due to the Castle's late opening from mid-May and the limited capacity due to Covid restrictions. Admissions net income loss will be reclaimed from the Government under their income loss compensation scheme. This is being recorded corporately.
Colchester and Ipswich Museums (CIMS)	(8)	57	49	CIMS is a ring-fenced budget. There is a forecast underspend of £23k (1%) on salaries due to vacant posts and reduced casual staff costs. This is offset by a forecast overspend of £25k (59%) mainly on third party contractors relating to Exhibitions costs. £18k (23%) underspend on materials for resale is offset by £36k (22%) shortfall in sales income in Retail. Loss of income on Events forecast at £22k (51%). Retail income loss will be reclaimed from the Government under their income loss compensation scheme.
<b>Customer</b>				
Accounts & Debt	20	(1)	19	An overspend on employee costs of £29k (12%) partially offset with an underspend on Central Stationery of £7k (64%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				The income forecast variance relates to unbudgeted court fees recovered (100%).
Local Taxation & Business Rates	11	3	14	An overspend on employee costs of £16k within NNDR (10%) offset by an underspend of £5k on employee costs within Council Tax (2%). The income forecast variance relates to the NNDR Admin Grant. (1%).
Benefits & Hub	1	-	1	A small overspend on employee costs across this area.
Contact Support Centre	(7)	-	(7)	Underspend on supplies and services including £5k on telephony licence and maintenance (91.8%).
Electoral Services	6	-	6	Overspend on overtime/casual employee costs within the Elections team following the recent Election (100%).
Customer Digital & Systems	1	-	1	An overspend on employee costs is offset by savings on supplies and services.
Land Charges	6	(25)	(19)	A £3k overspend on software licences (17.14%) and £3k on third party payments (10%) is offset by £25k more income (10%).
<b>Environment</b>				
Assistant Director Environment	(9)	-	(9)	Employee underspends.
Neighbourhood Services	478	59	537	£175k employee overspends are forecast due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (2.56%). £401k employee overspends to maintain services are forecast on Waste Collections (11.4%). Following global market fluctuations £104k (64.4%) income derived from the sale of paper and £117k savings on associated contractor costs are forecast (14.8%).



Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
				A £70k shortfall of income is forecast on Market & Street Trading to reflect the ongoing impact of Covid-19 (30.3%) a further £60k shortfall is forecast on Trade Waste Collections (9.5%).
North Essex Parking Partnership (NEPP)	(181)	-	(181)	NEPP will be 'on budget' after any shortfall variance caused by the emergency is drawn in a planned way from the £1m Reserve.
<b>Place &amp; Client</b>				
Place Strategy	17	-	17	Forecast overspend on employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies and Brownfield grant funded post that will have a part pressure due to 16/17 grant of c£15k not being retained in the service area. These are slightly offset by vacant posts (3%).
Housing	(7)	-	(7)	Forecast underspend due to vacant post (4%).
Planning	1	(85)	(84)	Small net overspend across salaries (1%) and supplies and services (26%). Planning fees income forecast is £85k more than full year budget, which has been profiled based on the previous 3 years income trend. This figure will fluctuate each month based on the profile and variance to date (7%).
Sustainability & Climate Change	5	-	5	Forecast overspend on employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (1%) and unbudgeted spend relating to Transport East invoice (100%).
Client - Commercial Company	-	(111)	(111)	The dividend is forecast to be £111k, which is in line with the dividend reported in the CCHL Business Plan considered by Governance and Audit Committee on 19 <sup>th</sup> January 2021.

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Corporate Asset Management	1	-	1	The small overspend relates to a 3-year licence renewal for the Town Hall. No variances have been forecast on Rowan House until timeline for building works is confirmed and external rents are reviewed. This area will be monitored closely.
Commercial & Investment	-	(27)	(27)	Income is forecast to be £27k (1%) more than the budget – the overall budget target was reduced primarily due to forecasts around the ongoing impact of the Coronavirus lockdown. The outturn variance may yet change as the full effect of the return to normality becomes clearer.
Sport and Leisure	(75)	173	98	Expenditure savings have been forecast on employee costs at £75k (2.45%). No further savings have yet been forecast while the service gets back to normal following many restrictions. An overall income shortfall of £173k (4.75%) is forecast at this stage of the year, and this is all forecast on the new Colchester Northern Gateway site which represents 25% of the annual income target. This has been due to the delays in fully launching the facility. A programme is now being developed to accelerate income recovery to pre pandemic levels across all Sport and Leisure Services.
<b>Corporate &amp; Improvement (incl. CDC)</b>				
ICT	27	-	27	Overspend forecast on employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (3%).
People & Performance	4	79	83	Overspend forecast on employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (2%), which is partially offset by an underspend on the purchase of staff transport tickets (48%). Less income forecast from staff car parking due to home working and part year closure of Rowan House (91%).

Service Area	Variance			Comment
	Spend £'000	Income £'000	Net £'000	
Governance	58	-	58	Overspend forecast in Hallkeepers as a higher saving was allocated to the service than could be achieved with the agreed reduction in level of Hallkeepers. Further review of Hallkeepers will be necessary to achieve saving (39%) and across employee costs due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (6%). This is offset slightly by some savings across supplies and services budgets (0.5%).
Communications	11	-	11	Forecast overspend due to not having had sufficient vacant posts yet this year to achieve the budget target for vacancies (100%).

June 2021	Current Period - June 2021			Forecast Year-End Position		
	Profiled Budget to Period 3	Actual to Period 3	Variance (under) / over	Annual Budget	Projected Outturn	Variance (under) / over
Account Description	£'000	£'000	£'000	£'000	£'000	£'000
<b>HRA - Direct &amp; Non-Direct</b>						
<b>EXPENDITURE</b>						
Employees	57	68	11	225	225	-
Premises Related	1,750	1,469	(281)	6,965	6,965	-
Transport Related	-	-	-	1	1	-
Supplies & Services	210	151	(59)	1,088	1,088	-
Third Party Payments	1,277	1,274	(3)	3,839	3,839	-
Transfer Payments	32	14	(18)	128	128	-
Support Services	2,229	2,229	-	3,450	3,450	-
Capital Financing Costs	-	-	-	15,088	14,765	(323)
<b>TOTAL EXPENDITURE</b>	<b>5,555</b>	<b>5,205</b>	<b>(350)</b>	<b>30,784</b>	<b>30,461</b>	<b>(323)</b>
<b>INCOME</b>						
Other Grants & Reimbursements	-	-	-	(139)	(139)	-
Customer & Client Receipts	(8,214)	(8,067)	147	(30,573)	(30,250)	323
Income-Interest	-	-	-	(16)	(16)	-
Inter Account Transfers	-	-	-	(56)	(56)	-
<b>TOTAL INCOME</b>	<b>(8,214)</b>	<b>(8,067)</b>	<b>147</b>	<b>(30,784)</b>	<b>(30,461)</b>	<b>323</b>
<b>TOTAL NET - HRA</b>	<b>(2,659)</b>	<b>(2,862)</b>	<b>(203)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**7<sup>th</sup> September 2021**

<b>Report of</b>	<b>Assistant Director Corporate and Improvement</b>	<b>Author</b> <b>Paul Cook</b> <b>☎ 505861</b> <b>Lily Malone</b>
<b>Title</b>	<b>Capital Monitoring Report Quarter 1 2021/22</b>	
<b>Wards affected</b>	Not applicable	

## **1 Executive Summary**

- 1.1 This report sets out the Council's Capital Programme against budget for quarter 1 financial year 2021/22. The Capital Programme includes projects delivering General Fund services, the HRA Housing Investment Programme and the Revolving Investment Fund (RIF). It is a significant programme with a high level of investment benefitting the Borough, contributing towards the local economy, and working towards recovery.
- 1.2 In line with the Council's Financial Regulations a review of the schemes included in the capital programme is required on a quarterly basis.

## **2 Action Required**

- 2.1 To review the progress on the Capital Programme as set out in this report, the associated spend for the first quarter and the budget forecasts for future years. To review the RAG rating for each scheme as rated by the relevant project manager.

## **3 Reason for Scrutiny**

- 3.1 This report gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets and the project delivery progress and outcomes.
- 3.2 The purpose of the report is to ensure:
  - Spending on projects is within the agreed budgets,
  - Budgets are sufficient to enable timely project delivery and support the related service objectives.
  - The Council makes good use of its available capital resources, in accord with 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.

## **4 Background Information**

- 4.1 The Capital Programme was reset for 2021/22 and later years as part of setting the 2021/22 Budget. This report includes new schemes agreed in budget setting and presents the quarter 1 expenditure of the reset 2021/22 Capital Programme.
- 4.2 It should be noted that the Capital Programme mainly consists of schemes where spending is planned across several years. Financial variances can occur as a result of:
  - Reprofile of scheme budgets into the following financial year to reflect scheme progress on site,

- Changes in timing of payments,
- Additional budget requirements due to changes in schemes or unforeseen costs.

## 5 Quarterly Capital Monitoring Position

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

Service	Programme	2021/22 Q1 Expenditure	2021/22 Capital Programme	Future Years' Forecast
	£'000	£'000	£'000	£'000
Communities	8,907	1,249	3,384	5,523
Environment	3,122	0	2,372	750
Corporate & Improvement	41,651	795	16,831	24,820
Revolving Investment Fund (RIF)	13,081	1,067	9,745	3,336
Housing Revenue Account	53,964	4,574	52,319	1,645
<b>Total Capital Programme</b>	<b>120,725</b>	<b>7,685</b>	<b>84,651</b>	<b>36,074</b>

- 5.2 Capital expenditure was £7.7m against a forecast programme of £84.7m. This represents 9% of the projected budget. At a similar stage in 2020/21 capital expenditure was £5.4m and 9% of the budget.
- 5.3 The Capital Programme has been adjusted to reflect the 2020/21 capital outturn and additional approved schemes have been included as per the Resetting the Capital Programme.
- 5.4 The Town Deal projects will be included in the Capital Programme once the individual project detail has been finalised.
- 5.5 The actual expenditure for the year and updated commentary from the budget holders is detailed in Appendix A.
- 5.6 Appendix A includes a RAG (Red, Amber and Green) status of overall project performance against capital schemes. This has been updated with revised criteria showing an individual status for three aspects of a project – time, cost, and delivery. The criteria for the RAG is the corporate standard, and has been assessed by the project manager.
- 5.7 The current RAG position and comments against amber and red RAG rated schemes is detailed in Appendix A.
- 5.8 Please see Appendix B for a detailed report on the status of Shrub End Depot which was rated as Red on the Capital Monitoring Outturn report.

## 6 Strategic Plan references

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

## 7 Financial Implications

7.1 Within the details of this report.

## 8 Risk Management Implications

- 8.1 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.

## **9 Consultation**

- 9.1 The Capital Programme is part of annual budget setting is subject to the normal budget consultation.

## **10 Environmental and Climate Change Implications**

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

## **11 Equality and Diversity Implications**

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

## **12 Other Standard References**

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

**Background Papers** – Resetting the Capital Programme, Cabinet, 27<sup>th</sup> January 2021

## Appendix A

SUMMARY	Total Approved Budget	Previous Years Spend	Remaining Budget £000	Accrued spend to Q1 £000	Forecast 2021/22 £000	Spend against forecast £000	Forecast 2022/23 £000	Forecast 2023/24 £000	Forecast 2024/25 £000	RAG		
										Delivery	Time	Cost
Lending to new Council Housing Company	28,800	1,500	27,300	600	10,400	6%	16,900	0	0	G	G	G
Property Purchase - 100 Homes	22,000	4,753	17,247	3,403	16,672	20%	575	0	0	A	G	G
Housing Improvement Programme	14,439	0	14,439	284	14,439	2%	0	0	0	G	G	G
Purchase of properties - HRA	7,417	0	7,417	9	6,347	0%	1,070	0	0	A	G	G
Sheltered Accommodation	6,611	0	6,611	131	6,611	2%	0	0	0	G	A	G
Equity Investment in CCHL	7,300	1,500	5,800	0	300	0%	5,500	0	0	G	G	G
Grow-on - former Queen St Bus Depot	4,677	37	4,640	51	3,410	1%	1,230	0	0	A	A	G
Mandatory Disabled Facilities Grants	5,418	825	4,593	191	900	21%	1,280	1,280	1,134	A	A	A
New Build on Garage Sites	4,273	0	4,273	446	4,273	10%	0	0	0	A	A	A
Colchester Northern Gateway Heat Network	4,407	623	3,784	10	2,850	0%	454	480	0	G	A	A
Council House New Build	2,900	0	2,900	231	2,900	8%	0	0	0	G	A	G
Town Centre	4,836	2,857	1,979	23	1,435	2%	544	0	0	R	R	R
Stanway Community Centre	1,892	191	1,701	19	1,001	2%	700	0	0	G	G	R
Facility Loan to CAEL	2,520	1,000	1,520	0	700	0%	620	200	0	G	G	G
St Marks Community Centre	1,500	0	1,500	9	600	2%	800	100	0	G	G	G
CNGS - Infrastructure	1,670	177	1,493	0	1,000	0%	493	0	0	G	G	G
Rowan House Regeneration	1,327	0	1,327	0	995	0%	332	0	0	G	A	A
CNGS - The Walk	3,471	2,446	1,025	957	1,025	93%	0	0	0	A	A	A
Shrub End Depot	1,056	67	989	0	289	0%	700	0	0	A	G	A
LFFN	3,437	2,489	948	294	948	31%	0	0	0	A	A	G



Adaptations to Housing Stock	760	0	760	70	760	9%	0	0	0	G	G	G
Light Fleet Replacement	726	0	726	0	676	0%	50	0	0	A	A	G
St Nicholas Square	695	82	613	16	613	3%	0	0	0	A	A	G
Rowan House Ventilation System	528	0	528	8	308	3%	212	8	0	G	G	G
Fleet Upgrade Caged Tippers	520	0	520	0	520	0%	0	0	0	A	A	A
CNGN - Sports Park	28,838	28,319	519	-310	339	-91%	180	0	0	A	A	G
CNGS - Detailed Planning	1,498	987	511	21	511	4%	0	0	0	A	A	A
Grants to Registered Providers (1-4-1 RTB Receipts Funded)	1,708	1,261	447	0	447	0%	0	0	0	G	G	G
Housing ICT Development	317	0	317	0	317	0%	0	0	0	G	G	G
Garrison Gym Playground	306	0	306	0	306	0%	0	0	0	G	G	G
Mercury Landscaping Works	350	55	295	0	295	0%	0	0	0	New scheme	New scheme	New scheme
Private Sector Renewals - Loans and Grants	375	92	286	20	86	23%	200	0	0	A	A	A
Mercury Theatre Redevelopment Phase 2	9,313	9,040	273	930	273	341%	0	0	0	G	G	R
CNG Recreational Play Equipment	250	0	250	0	0	N/A	250	0	0	New scheme	New scheme	New scheme
CNG Wastewater Improvements Pumping Station	250	0	250	0	50	0%	200	0	0	A	A	A
Leisure World conversion of artificial pitch	250	0	250	0	250	0%	0	0	0	New scheme	New scheme	New scheme
CCTV Monitoring	528	315	213	161	213	76%	0	0	0	G	G	G
Vineyard Car Park Lift Replacement	130	0	130	0	130	0%	0	0	0	New scheme	New scheme	New scheme
Castle Park Cricket Pavilion Extension S106	125	0	125	0	125	0%	0	0	0	G	G	G

Sport & Leisure Asset Review	120	0	120	0	0	N/A	120	0	0	G	G	G
Leisure World Pool View	120	2	118	3	118	3%	0	0	0	G	G	G
St Botolphs Public Realm	155	37	118	0	118	0%	0	0	0	R	R	G
Rowan House EV Charging Points	114	0	114	20	0	N/A	114	0	0	G	G	G
Other Projects			1,450	88	1,101	8%	349	0	0			
Total			120,725	7,685	84,651	9%	32,873	2,068	1,134			

## Comments on red rated schemes:

<b>Town Centre</b>
<b>Timing:</b> Alumno – Dependant on progress of discussions between various parties. Vineyard Gate – Dependant on discussions with freeholders.
<b>Cost:</b> Alumno – Dependant on progress of discussions between various parties. Vineyard Gate - Increased as site purchase area increased.
<b>Delivery:</b> Alumno – Dependant on progress of discussions between various parties. Vineyard Gate – Pursuing discussions with freeholders.
<b>Approved Budget:</b> External funding contribution £0   CBC funding contribution £4.8m   Total £4.8m
<b>Stanway Community Centre</b>
<b>Timing:</b> Aiming to be on site in July/August following contractor appointment, completion due spring 2022.
<b>Cost:</b> Potentially over budget looking at value engineering options.
<b>Delivery:</b> Expected Delivery Spring 2022.
<b>Approved Budget:</b> External funding contribution £1.9m   CBC funding contribution £0   Total £1.9m
<b>Mercury Theatre Redevelopment</b>
<b>Timing:</b> Scheme complete.
<b>Cost:</b> Cost increase due to asbestos and additional client requirements for fire regulation updates to design.
<b>Delivery:</b> Scheme complete.
<b>Approved Budget:</b> External funding contribution £7.8m   CBC funding contribution £1.5m   Total £9.3m
<b>St Botolphs Public Realm</b>
<b>Timing:</b> Dependent on the progress of the Town Centre project.
<b>Cost:</b> The original long stop date for expenditure has passed.
<b>Delivery:</b> Awaiting further client consultation and instruction.
<b>Approved Budget:</b> External funding contribution £0   CBC funding contribution £0.2m   Total £0.2m

## Comments on amber rated schemes:

<b>Property Purchase – 100 Homes</b>
<b>Timing:</b> Of the 41 properties we have completed on since October 2020, 5 properties have been repaired and let and a further 3 have been repaired and handed over from the contractor and are being advertised. A further 18 properties are in the legal process.

<b>Cost:</b> Property prices have increased significantly since the programme started along with the cost of materials to complete the works to the properties. Expenditure is being closely monitored to ensure we stay on budget.
<b>Delivery:</b> 33 properties to be repaired and let due to poor performance by the contractor.
<b>Approved Budget:</b> External funding contribution £0   CBC funding contribution £22m   Total £22m
<b>Purchase of Properties – HRA</b>
<b>Timing:</b> Acquisition of properties are being delivered on time and in line with the project plan.
<b>Cost:</b> The acquisitions are being delivered within the predicted budget.
<b>Delivery:</b> We have not competed on any properties in June as the focus is on purchasing the 100 Homes. Once the 100 Homes is completed the purchases under this programme will begin.
<b>Approved Budget:</b> External funding contribution £0   CBC funding contribution £7.4m   Total £7.4m
<b>Sheltered Accommodation</b>
<b>Timing:</b> Meetings scheduled in order to progress the next scheme for re-development.
<b>Cost:</b> Contract awarded within budget.
<b>Delivery:</b> Start on site for Elfreda House in the summer.
<b>Approved Budget:</b> External funding contribution £0   CBC funding contribution £6.6m   Total £6.6m
<b>Grow On – Former Queen Street Bus Depot</b>
<b>Timing:</b> Awaiting final drawings and report on the demolition before submitting planning application.
<b>Cost:</b> Total project budget funded by SELEP/CBC/Town Deal.
<b>Delivery:</b> Detailed design work is continuing.
<b>Approved Budget:</b> External funding contribution £3.7m   CBC funding contribution £0.9m   Total £4.6m
<b>Mandatory Disabled Facilities Grants</b>
<b>Timing:</b> Contractors are very busy. Cases are progressing but lead times are increasing due to demand on the building sector generally. An external contractor has undertaken inspections on our behalf to assist with progressing as many applications as possible but due to the complexity of cases, they have required additional input from officers. Work on configuring the new Northgate system has commenced.
<b>Cost:</b> Contractors are busy with increasing lead times, resulting in slower turnaround. We are advised some are not able to undertake works for 3+ months.
<b>Delivery:</b> We are working through the backlog of works. Social distancing measures and migration to Northgate system will impact on delivery. Staff taking leave in the summer period and contractor availability are also a consideration.
<b>Approved Budget:</b> External funding contribution £4.9m   CBC funding contribution £0.5m   Total £5.4m
<b>New Build on Garage Sites</b>
<b>Timing:</b> Buffett/Scarfe Way completion expected by January 22. Hardings Close completion expected August 21.

<b>Cost:</b> Currently within budget.
<b>Delivery:</b> Scheme completions have been delayed due to the effects of Covid 19. Covid safe requirements on site, labour shortages, and impact on the supply chain issues. Other delays caused by adverse weather and difficulties securing licences.
<b>Approved Budget:</b> External funding contribution £0   CBC funding contribution £4.2m   Total £4.2m
<b>Colchester Northern Gateway Heat Network</b>
<b>Timing:</b> To meet March 21 heat pump commissioning deadline for Renewable Heat Incentive, Energy Centre install must start October/November 2021.
<b>Cost:</b> Tender return cost for lot 1 are over current budget, work required to understand why and on negotiation of price.
<b>Delivery:</b> The Heat Network is affected by the progress on the development of the CNG site overall, however energy centre install must start late 2021 for the Renewable Heat Incentive.
<b>Approved Budget:</b> External funding contribution £3.7m   CBC funding contribution £0.7m   Total £4.4m
<b>Council House New Build</b>
<b>Timing:</b> There is no permanent delay and works are expected to be scheduled into 2021/22.
<b>Cost:</b> Fixed budget.
<b>Delivery:</b> Confident of programme delivery.
<b>Approved Budget:</b> External funding contribution £0   CBC funding contribution £2.9m   Total £2.9m
<b>Rowan House Regeneration</b>
<b>Timing:</b> Space planning design scheme deadline pushed back due to inclusion of Reception. Estimated project completion Summer 2022.
<b>Cost:</b> Increased cost of HVAC system; manage potential unforeseen costs.
<b>Delivery:</b> HVAC system and lighting design on track. Space planning target dates tightened up to ensure ready for tender. Overall work programme being drawn up.
<b>Approved Budget:</b> External funding contribution £0   CBC funding contribution £1.3m   Total £1.3m
<b>Colchester Northern Gateway – The Walk</b>
<b>Timing:</b> Programme has been delayed significantly due to Colchester Rugby Football Club not vacating site.
<b>Cost:</b> Completion is set for September 2021. The only outstanding milestone is the approval of the S50 Licence that is currently sitting with ECC Highways - the S50 licence is required for the surface water drainage connection which forms the wider Surface Water Drainage strategy for CNGS. This milestone is not on the critical path for completion as the works can be treated separately albeit at a cost due to associated De-mobilisation/are-mobilisations costs.
<b>Delivery:</b> S50 Licence application form has been sent over to ECC Highways for consideration.
<b>Approved Budget:</b> External funding contribution £3.5m   CBC funding contribution £0   Total £3.5m
<b>Shrub End Depot</b>

<b>Timing:</b> This will be more accurately determined once design has been completed and tendering has been undertaken. However some works are proceeding.
<b>Cost:</b> Current estimates indicate that the works can be undertaken close to the full budget allocation. Design stage needs to be completed and tender exercise undertaken to determine this more accurately.
<b>Delivery:</b> The project is currently based on estimated costs and not based on detailed design or surveys.
<b>Approved Budget:</b> External funding contribution £0   CBC funding contribution £1m   Total £1m
<b>LFFN Broadband (Local Full Fibre Network)</b>
<b>Timing:</b> Completing the programme by the extended deadline of 30 September 2021 is largely dependent on us being able to secure Highways permits without further issues. If these proceed smoothly, the contractors will be able to deliver the programme on time.
<b>Cost:</b> Proceeding to budget at the current time, but status changed from Green to Amber to reflect the potential for increased costs arising from further, complex traffic management requirements that may be imposed by the Highways authority.
<b>Delivery:</b> The focus is now on the build of the metronet and the integration of our core networks with the first large VX deployment to 8000 homes, in addition to the final decisions on how the second and third VX phases (town centre and Wivenhoe) will be integrated with our network. Status changed from Green to Amber to reflect the complexity of the permitting process.
<b>Approved Budget:</b> External funding contribution £3.4m   CBC funding contribution £0m   Total £3.4m
<b>Light Fleet Replacement</b>
<b>Timing:</b> Delayed due to covid and EU exit.
<b>Cost:</b> Budget set remains on course.
<b>Delivery:</b> Timescales difficult with increasing build times.
<b>Approved Budget:</b> External funding contribution £0   CBC funding contribution £0.7m   Total £0.7m
<b>St Nicholas Square</b>
<b>Timing:</b> Timings will be delayed due to delays in the legal agreement and land sale completion.
<b>Cost:</b> Funded by the accelerated Town Deal funding.
<b>Delivery:</b> Aiming to start on St Nicholas Square September with completion at the end of 2021.
<b>Approved Budget:</b> External funding contribution £0.7m   CBC funding contribution £0   Total £0.7m
<b>Fleet Upgrade Caged Tippers</b>
<b>Timing:</b> Build times delayed due to covid and materials are more difficult to source.
<b>Cost:</b> Additional capital will be required due to the increase in steel prices and high demand for the product.
<b>Delivery:</b> Resolve the issue with Marshalls and move forward with the order or look to cancel the order and procure from another manufacturer, our procurement team will be consulted throughout this period.

<b>Approved Budget:</b> External funding contribution £0m   CBC funding contribution £0.5m   Total £0.5m
<b>CNGS Sports Park</b>
<b>Timing:</b> Although site is handed over and operational works are still on-going by RGC to rectify the Landscaping Issues that have occurred during the contract period. Snagging/Defect repairs are still being undertaken to both the Sports Hub and Rugby Club Building.
<b>Cost:</b> Costs are on target. Some additional works are required.
<b>Delivery:</b> Snagging/Defect repairs are being undertaken.
<b>Approved Budget:</b> External funding contribution £4.5m   CBC funding contribution £24.3m   Total £28.8m
<b>CNGS Detailed Planning</b>
<b>Timing:</b> Planning Application (Hybrid) is due to go to planning committee in July 2021. Approval is highly likely.
<b>Cost:</b> Additional funding provided March 2021.
<b>Delivery:</b> Project was anticipated for site works in Autumn '20, delays due to ECC and Covid. Once committee report submitted to Planning Committee for decision this should clarify the delivery of the project.
<b>Approved Budget:</b> External funding contribution £0.4m   CBC funding contribution £1.1m   Total £1.5m
<b>Private Sector Renewals – Loans and Grants</b>
<b>Timing:</b> Challenges with balancing cases against other work. Northgate will require time to configure, develop and migrate.
<b>Cost:</b> Challenges with balancing cases against other work. Northgate will require time to configure, develop and migrate.
<b>Delivery:</b> Challenges with balancing cases against other work. Northgate will require time to configure, develop and migrate.
<b>Approved Budget:</b> External funding contribution £0   CBC funding contribution £0.4m   Total £0.4m
<b>CNG Wastewater Improvements Pumping Station</b>
<b>Timing:</b> This project must be complete before the first homes of the CNGS Housing development are occupied.
<b>Cost:</b> Final costs are currently unknown.
<b>Delivery:</b> If Jackson's report does not provide full clarity of existing system, users and required upgrades, we will approach a different Drainage Engineer with more resources to resolve these points. From that point, the intention is to appoint a Drainage Engineer on a Design & Build contract to complete the required upgrades.
<b>Approved Budget:</b> External funding contribution £0   CBC funding contribution £0.3m   Total £0.3m

**RAG Status Definition**

<b>Status</b>	<b>Definition</b>	<b>Action</b>
Red	There are significant problems with the project and the project is not meeting expectations to date. The project requires corrective action to meet business objectives. The problem cannot be handled solely by the project manager.	The matter should be formally escalated to the project board. A remedial action plan to be implemented, including reviewing the frequency of progress reports.
Amber	Not meeting the expectations to date. There are mitigating circumstances in most cases and improvement is likely but risks are being flagged.	The project sponsor and owner must have early sight of the circumstances. All stakeholders are to be informed. Resolution options are to be investigated.
Green	Meeting expectations to date.	No action required.



**7<sup>th</sup> September 2021**

<b>Report of</b>	<b>Assistant Director of Environment</b>	<b>Author</b>	<b>Rosa Tanfield</b>
<b>Title</b>	<b>Appendix B - Shrub End redevelopment</b>		<b>☎ 538047</b>
<b>Wards affected</b>	<b>'Not applicable'</b>		

## **1. Executive Summary**

- 1.1 Neighbourhood Services is currently undertaking a capital project to redevelop the Shrub End site. A total of £1,056,000 is allocated in the Capital Programme. Following the restructure and during 2019, a review and assessment of the needs for improvement was undertaken and this determined a list of requirements. In 2020, the Covid pandemic impacted the delivery of Neighbourhood Services and tested the list of requirements. It also gave an opportunity to consider making permanent those temporary measures brought about to protect staff. As a result, the objectives and list of requirements have been reviewed again.
- 1.2 The project objectives are to ensure compliance, health, safety and wellbeing of the workforce, strategic alignment and to agree principles on the future use of the site in collaboration with ECC.
- 1.3 CBH have been appointed as the Project Manager with an agreed scope. Some works have commenced to support Covid recovery, whilst the rest of the project will now be subject to the design stage, after which a tender exercise/s will be undertaken to determine accurate costings and timeframes.

## **2. Recommended Decision**

- 2.1 This report is for noting only.

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

- 3.1 This report is for information only by way of an update

## **4. Alternative Options**

- 4.1 None

## 5. Background Information

- 5.1 Neighbourhood Services is currently undertaking a capital project to make improvements to the Shrub End site.
- 5.2 The site is fundamental in enabling the Council to delivery its core functions, from recycling and refuse collections to street cleansing. The site comprises:
- A large parking area for the Council's fleet and operational staff
  - Storage and containers for material and equipment for operations
  - A 'yard' where recycling material and other waste is collected for onward transportation
  - A building for staff offices, storage and facilities
- 5.3 A combined review of the 'Recycling Waste & Fleet Service' and 'Community Zones Service' under the theme of 'Waste and Zones Futures' commenced in August 2018. The services were purposefully reviewed together in recognition of the synergies that existed from an operational, financial, and shared outcomes perspective. The outcome of the review was to make savings and bring the separate services together as 'Neighbourhood Services' under the leadership of the Assistant Director of Environment in October 2018. During this review it was recognised that in previous years £800,000 had been allocated for "rebuilding the Bailing Shed" and as part of the Futures Review, additional funding was provided to "redevelop the current site". A total of £1,056,000 is allocated in the Capital Programme. Following the restructure and during 2019, a review and assessment of the needs for improvement was undertaken and this determined a list of requirements.
- 5.4 In 2020, the Covid pandemic impacted all areas of the Council, including Neighbourhood Services. However, it provided an opportunity to test the list of requirements that had been identified and determine their significance, and in turn, assess what temporary measures brought about to protect staff and maintain services should be maintained in the long-term. As a result, the objectives and list of requirements have been reviewed again.
- 5.5 Project objectives:
- 1. Compliance**  
The site operates as a transfer station under an Environment Agency issued Waste Management Licence. It is imperative that the Council ensures it operates within the management plan of the licence and always adheres to the measures in place and maintains the site.
  - 2. Health, Safety & Wellbeing**  
As a high-risk operational service, it is imperative that assessments are undertaken frequently, and adjustments are made to ensure the health, safety and wellbeing of our workforce, site and operations.
  - 3. Strategy alignment**  
It is important to consider the potential for changes in operations in the future, through an emerging waste and recycling strategy, particularly with the potential impact of the Environment Bill. Any works undertaken will align to any known aspects that will help or support this strategy (for example, improved data capture).
  - 4. Agree principles on future use of site, in collaborating with ECC**  
As the Household Recycling Centre is centrally located within the site, this brings with it logistical and operational difficulties for both the Council and Essex County Council. Both

organisations will have priorities and objectives for the area, and it is therefore important to agree principles. The Council will be considering the use of the site with a view on the current development of a business case for an in-house delivery model for grounds maintenance, the introduction of an electric vehicle fleet and the infrastructure that is required, as well as the continued growth of the Borough and the additionality that this impacts on the services and that too of the Household Recycling Centre.

- 5.6 The Project Board has agreed the following principles for the works:
- Works should not be abortive work if there are site changes in the near to medium term
  - Items/works should be able to be moveable to enable change
- 5.7 In considering the above, the Project Board has agreed the following scope of work, with focus on two areas of the overall site:

Yard refurbishment programme

- Demolition of old weighbridge and install of new weighbridge, office, and system
- Repair and reinstate surface water drainage system
- Reinforce material collection bays
- Undertake repairs to the lagoon
- Install new mesh fencing
- Demolition of bailing shed and create new material collection bays
- Pedestrian management plan and walking route

Staff facilities refurbishment programme

- New subbase and surface to car park
- Install fire alarm system
- Remodel WC/Locker area to create female WC and showers
- New lockers and rest room furniture
- New crewing out shelter
- New cycle cage

Progress

- 5.8 CBH have been appointed as Project Managers and CDM Coordinators. Instruction have been given to them to proceed to the project design stage. This stage will more accurately determine costs and timeline. Nevertheless, some works have been undertaken already in response to the Covid pandemic and which support the objectives and principles outlined above:

- Extension of pedestrian guard railing
- Installation of new windows to enable outdoor 'crewing out' and to reduce numbers of staff within the office
- The order has been placed for the new crewing out shelter and is scheduled to be installed from September

Timescale

- 5.9 Delivery of the works will be determined once the design stage has been completed. This will give an indication but will not be accurate until the tender exercise has been completed. It is the aim to have the works completed within the financial year, however, careful consideration needs to be given to working within an operational site that needs to deliver core services across the Borough on all working days.

## **6. Consultation**

- 6.1 The workforce, at an early stage, were given the opportunity to share their views on improvements required at the site. Their feedback included the car park, WC and lockers; hence these being included as fundamental parts of the project.
- 6.2 As the project progresses, plans will be shared with the workforce and through the Neighbourhood Services Health, Safety and Wellbeing Group of which representatives of the workforce are included.

## **7. Publicity Considerations**

- 7.1 As the improvements are internal, it is not envisioned that there will be a requirement for public communications, although some aspects of the work may require planning permission.

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

- 8.1 The works to bring about female toilet and shower facilities is an important recognition and commitment to the continued development of equality and diversity within the service. Neighbourhood Services has 26 female members of staff (approximately 10% of the Neighbourhood Services workforce) and whilst a toilet is available within the office, this is not easily accessible for frontline staff, is not available at weekends when female staff may be working and does not provide showers or separate locker facilities such as those experienced by the male workforce.
- 8.2 Please note the EQIA for the Council can be found on the Council's website. [www.colchester.gov.uk](https://www.colchester.gov.uk/info/cbc-article/?catid=equality-impact-assessments&id=KA-01531) on the following pathway: <https://www.colchester.gov.uk/info/cbc-article/?catid=equality-impact-assessments&id=KA-01531>

## **9. Health and Safety Implications**

- 9.1 As set out earlier in the report, Neighbourhood Services is a high-risk operational area and therefore the works will support measures and reduce risks identified in day-to-day operations (for example, the implementation of a dedicated walking route developed from a site pedestrian management plan).
- 9.2 The Construction (Design and Management) Regulations (CDM) will apply to this project. By employing CBH and in undertaking robust tender analysis, project set up meetings, collaborative working and so forth, the Council will ensure robust health and safety measures at all stages of the project.

## **10. Financial implications**

- 10.1 The capital funding provided is £1,056,000. Spend allocated so far is £66,940.33 (this includes Project Management fees). Estimated costs are at £1,052,954 (including a 10% contingency) but this will be more accurately determined at completion of the tender process, which will be undertaken after the design stage has been completed.

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

- 11.1 Of utmost importance, as outlined in the objectives of this project is that of the health and wellbeing of the Council's workforce and the report above sets out how this will be addressed.

11.2 There is no impact within this project on community safety.

## **12. Risk Management Implications**

- 12.1 The current risks with delivery of the project are that of the budget and timeline. The project has been refined to ensure as far as possible that it can be delivered within the objectives and principles, and the budget. However, certainty of this will only come from the tender exercise/s.
- 12.2 In determining the timeline of the construction works, careful consideration will need to be given and close collaboration will need to be undertaken to ensure the works do not impact on the operational delivery of Neighbourhood Services.
- 12.2 As with many other projects, the supply and cost of steel and materials is an increasing risk on budget and timeline. This will be discussed in more detail with the approved contractors selected for the works.

## **13. Environmental and Sustainability Implications**

- 13.1 The project will help support the Council in continuing to provide the core services that enable residents to make good decisions around their management of waste and recycling choices.
- 13.2 The improvements to the site, ensure the Council is doing all it can to limit the impact of its operations on the local environment and the construction works itself will aim to use those materials with minimal environmental impact, and waste such as concrete will be reused wherever possible.

## **14. Strategic Plan References**

- 14.1 This project, to invest in improved welfare, safety and compliance at the site, whilst working towards a long-term strategy for our operational depot, works within the Strategic priority of 'Tackling the climate challenge and leading sustainability' [Strategic Plan 2020-23](#) and supporting Covid recovery.



7th September 2021

<b>Report of</b>	<b>Assistant Director Corporate &amp; Improvement</b>	<b>Author</b>	<b>Paul Cook</b> ☎ 505861 <b>Mark Jarvis</b> ☎ 282774
<b>Title</b>	<b>Treasury Management – Annual Review 2020/21</b>		
<b>Wards affected</b>	Not applicable		

## 1 Executive Summary

- 1.1 This report is part of the cycle of monitoring treasury management and covers all the borrowing and investment activities of the Council.
- 1.2 Over the years, the borrowing strategy has sought to borrow internally given the low investment rates on offer however given the increase in the capital programme and reduction in available capital receipts.
- 1.3 The Council has been required to borrow an additional £7.5m on a short-term basis to fund the capital programme. External borrowing increased to £169.9m compared to £162.4 million in 2019/20.
- 1.4 The investment policy reflected the Council's low appetite for risk. The financial year continued the challenging low return investment environment of previous years. The Council's investments at the end of the year totalled £51 million.
- 1.5 The Council employ Link Asset Services to provide a consultancy service in respect of treasury management, to include advice on borrowing, investments, counterparty credit details and general capital accounting information. Their performance was considered satisfactory in 2020/21.
- 1.6 The current capital programme and Treasury Management Strategy (TMS) excludes the proposed Turnstone development which could increase the Council's external debt by in excess of £63 million. A revised TMS for 2021/22 may be needed to accommodate this change.

## 2 Action required

- 2.1 The Committee is asked to note the TMS Annual Review for 2020/21.
- 2.2 To note the Council's increase in borrowing to fund the capital programme.
- 2.3 The Committee is asked to note the satisfactory performance of Link Asset Services.

## 3 Reason for scrutiny

- 3.1 The CIPFA Treasury Management Code of Practice requires the Council to produce three main reports each year, which are all required to be scrutinised and reviewed:

- the Treasury Management Strategy Statement
- the Mid-Year Treasury Management Report
- the Annual Treasury Management Review (this report)



## 4 Treasury Management Review 2020/21

4.1 The Annual Treasury Management Review 2020/21 is attached as a separate document in appendix A.

4.2 Summary of TMS Prudential Indicators:

### Investments

Indicator	2019/20	2020/21 Strategy	2020/21 Actual	Comments
	£m	£m	£m	
Creditworthiness	Link creditworthiness system			All investments within policy
Country Limits		AA-		All investments within policy
Non-UK not to exceed		£15m		All investments within policy
Return on in-house funds.	0.87%	0.75%	0.23%	Reduced return

### Borrowing

Indicator	2019/20	2020/21 Strategy	2020/21 Actual	Comments
	£m	£m	£m	
Authorised Borrowing Limit	162,444	262,617	169,944	
Operational Boundary	206,849	247,617	169,944	
Maturity Structure				
< 1 year	21.8%	15%	4.9%	Over time the period to maturity of existing loans decreases and may cause variations. The strategy limits exceed 100% in total allowing some flexibility to choose loan maturities.
1 to 2	2.1%	15%	8.8%	
2 to 5	6.2%	15%	0.4%	
5 to 10	0.4%	15%	1.8%	
10 to 20	13.5%	40%	13.4%	
20 to 30	22.2%	40%	22.3%	
30 to 40	21.8%	40%	21.7%	
40 to 50	6.5%	20%	21.4%	
50+	5.5%	10%	5.3%	
Average borrowing rate	4.43%		3.52%	

## 5 Strategic Plan references

5.1 Prudent treasury management underpins the budget strategy required to deliver all Strategic Plan priorities.

## 6 Publicity considerations

6.1 Appendix B to the annual report is confidential.

## **7 Financial implications**

- 7.1 Interest paid and earned on borrowing and investments is shown within the Central Loans and Investment Account (CLIA). Outturn figures for 2020/21 show a favourable variance of £133k. This considers additional borrowing costs, which is offset by the current low borrowing rates.
- 7.2 Throughout 2020/21 there have been no rate changes made by the BOE, this is still currently 0.10%.
- 7.3 Following the 2019/20 audit of the Council's accounts, the auditors highlighted two areas in relation to the loan investment into Colchester Commercial Holdings Limited that need to be reviewed. These are in relation to the interest rate of the loans provided to the company and the decision to provide MRP (Minimum Revenue Provision) on these loans.
- 7.4 A review was undertaken during 2020/21 with the authority's treasury advisors, Link Asset Services which confirm the rates currently charged to Colchester Commercial Holdings Limited are in line with current market rates given the impact of Covid has had on the housing market.
- 7.5 The requirement to provide MRP is to ensure the Council provide sufficient funds to repay its debt. With regards to the loans to CAHL and CAEL, no provision was made in 2019/20 on the basis that there is a contractual arrangement in place to repay the loans within a 3-to-5-year period. Following conclusion of the 2019/20 audit, a review of the company accounts / business plan and discussions with the Council's treasury advisors, identified the potential need to provide MRP on the loan and accrued interest to CAEL within the Council's 2020/21 accounts. This will be required to be reviewed again during 2021/22 and the need to provide further contributions will be assessed at end of the financial year.
- 7.6 The Council is in the process of entering into an agreement that would develop the northern gateway site referred to as Turnstone. This project is being managed by Colchester Commercial Holdings the project that includes
- Securing the funding agreement
  - Viability of the project
  - Reviewing the lease agreements
- 7.7 Based on the proposal, the Council will take on an index linked loan uplifted by RPI on a yearly basis. As soon as the agreement is signed with the funder, the Council external debt will increase in excess of £60m and therefore potentially exceed its borrowing limits. Timing is still uncertain however a revision to the current Treasury Management Strategy for 2021/22 may be needed. This will be the only variable rate loan on the Council's portfolio and the details of the proposal are detailed in the March 2020 Cabinet report.

## **8 Risk management implications**

- 8.1 Risk Management is essential to effective treasury management. The Council's Treasury Management Policy Statement contains a section on treasury Risk Management (TMP1).

8.2 TMP1 covers the following areas of risk all of which are considered as part of our treasury management activities:

- Credit and counterparty risk
- Liquidity risk
- Interest rate risk
- Exchange rate risk
- Refinancing risk
- Legal and regulatory risk
- Fraud, error and corruption, and contingency management
- Market risk

## **9 Other standard references**

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

### **Appendices**

Appendix A – Treasury Management Review

Appendix B – Investment held as at 31<sup>st</sup> March 2021 (Confidential).

### **Background Papers**

Treasury Management Strategy 2020/21

Draft Statement of Accounts 2020/21



# Annual Treasury Management Review 2020/21

## **1 Introduction**

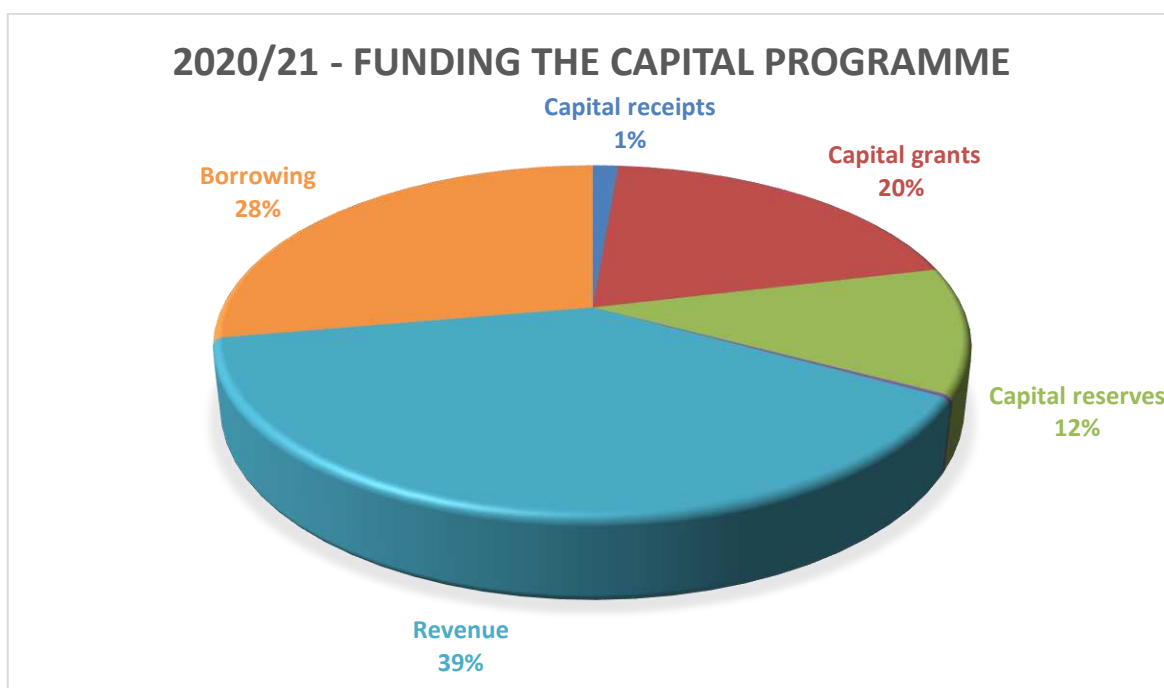
- 1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 During 2020/21 the minimum reporting requirements were as follows:
  - an annual treasury strategy in advance of the year (Council 29<sup>th</sup> January 2020)
  - a mid year treasury update report (Governance & Audit Committee 19<sup>th</sup> January 2021)
  - an annual review following the end of the year describing the activity compared to the strategy (this report)
- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 1.4 The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to the annual treasury strategy by the Scrutiny Panel before it was reported to the full Council.
- 1.5 This report summarises:
  - Capital financing activity during the year;
  - Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
  - The actual prudential and treasury indicators;
  - The overall treasury position;
  - The Treasury Management Strategy for 2020/21;
  - The economy and interest rates;
  - Borrowing activity; and
  - Investment activity.

## **2 Capital expenditure and financing 2020/21**

- 2.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:
  - Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
  - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

- 2.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	<b>2019/20 Actual £'000</b>	<b>2020/21 Actual £'000</b>
General Fund capital expenditure	30,594	20,457
HRA capital expenditure	15,648	20,630
Total capital expenditure	<b>46,242</b>	<b>41,087</b>
Resourced by:		
· Capital receipts	2,007	536
· Capital grants	8,892	8,182
· Capital reserves	8,369	4,780
· Finance Leases	11	105
· Revenue	9,316	16,066
New borrowing requirement	<b>17,647</b>	<b>11,418</b>



### **3 The Council's overall borrowing need**

- 3.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2020/21 new borrowing requirement (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 3.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the Capital Programme, the Finance team

organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLb] or the money markets) or utilising temporary cash resources within the Council.

- 3.3 The Council is required to make an annual revenue charge, called the Minimum Revenue Provision (MRP), to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR. The total CFR can also be reduced by:
- the application of additional capital financing resources (such as unapplied capital receipts); or
  - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
- 3.4 The Council's 2020/21 MRP Policy (as required by MHCLG Guidance) was approved as part of the Treasury Management Strategy Report on 29 January 2020.
- 3.5 The Council's CFR for the year is shown below and represents a key prudential indicator. It includes on balance sheet leasing schemes that increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

	31-Mar-20 Actual £'000	31-Mar-21 <sup>(1)</sup> Original £'000	31-Mar-21 <sup>(2)</sup> Actual £'000
<b>CFR</b>			
Opening balance	161,680	220,641	177,610
Add unfinanced capital expenditure	17,647	55,317	11,418
Add on-balance sheet leasing schemes	11	0	105
Write-off of finance lease creditor	(224)	217	(247)
Less MRP/VRP	1,504	1,996	1,602
Closing balance	177,610	236,887	187,284

(1) As per 2020/21 Treasury Management Strategy – January 2020

(2) As per 2020/21 statement of accounts

- 3.6 Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.
- 3.7 To ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its **gross borrowing position** does not, except in the short term, exceed the planned limit. The limit is the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	<b>31-Mar-20 Actual £'000</b>	<b>31-Mar-21 Original £'000</b>	<b>31-Mar-21 Actual £'000</b>
Gross borrowing position	162,444	220,641	169,944
CFR	177,610	236,887	187,284

- 3.8 The **Authorised Limit** is required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Council has maintained gross borrowing within its authorised limit.
- 3.9 The **Operational Boundary** is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
- 3.10 The **actual financing costs as a proportion of net revenue stream** indicator identifies the trend in the cost of capital (borrowing and other long-term obligations cost net of investment income) against the net revenue stream.

	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
Authorised limit	221,632	262,400
Maximum gross borrowing position	162,444	169,944
Operational boundary	206,849	247,400
Average gross borrowing position	142,108	161,396
Financing costs as a proportion of net revenue stream	8.48%	12.94%

#### **4 Treasury position as at 31 March 2021**

- 4.1 The Council's debt and investment position is organised to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting (as detailed in the introduction), and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2020/21 the Council's treasury position (excluding finance leases) was as follows:

	<b>31-Mar-20 Principal £'000</b>	<b>Rate/ Return %</b>	<b>31-Mar-21 Principal £'000</b>	<b>Rate/ Return %</b>
Fixed rate funding:				
PWLB	104,594	3.80%	132,094	3.80%
LOBO	5,500	3.63%	5,500	3.63%
Market	9,000	4.28%	9,000	4.50%
Local Authorities / LEP	23,350	1.43%	23,350	0.86%
Stock Issue	20,000	8.79%		
<b>Total debt</b>	<b>162,444</b>	<b>4.41%</b>	<b>169,944</b>	<b>3.52%</b>
CFR	177,610		187,284	
Over/ (under) borrowing	(15,166)		(17,340)	
Investments - In house	55,610	0.87%	51,020	0.23%



<b>Total investments</b>	<b>55,160</b>	<b>0.87%</b>	<b>51,020</b>	<b>0.23%</b>
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- 4.2 The maturity structure of the debt portfolio is shown below. It should be noted that for LOBO loans, the maturity date is deemed to be the next call date. They are therefore all shown as short-term debt:

	Approved Maximum %	31-Mar-20 Actual		31-Mar-21 Actual	
		£'000	%	£'000	%
Under 1 year	15.0	35,500	21.8	8,350	4.9
1 - 2 years	15.0	3,350	2.1	15,000	8.8
2 - 5 years	15.0	10,000	6.2	700	0.4
5 - 10 years	15.0	700	0.4	3,000	1.8
10 - 20 years	40.0	21,900	13.5	22,700	13.4
20 - 30 years	40.0	36,000	22.2	38,000	22.3
30 - 40 years	40.0	35,394	21.8	36,894	21.7
40 - 50 years	10.0	10,600	6.5	36,300	21.4
Over 50 years	10.0	9,000	5.5	9,000	5.3
		<b>162,444</b>	<b>100.0</b>	<b>169,944</b>	<b>100.0</b>

- 4.3 All of the Council's investments were for a period of less than one year, and there was not any exposure to variable rates of interest.
- 4.4 The outturn position for the Central Loans and Investment Account (CLIA) is shown below. This shows the outturn position as being a favourable variance of £133k.

CLIA	Budget £'000	Actual £'000	Variance £'000
Total Interest Paid	6,486	5,418	(1,068)
Less: HRA recharge	(5,240)	(4,490)	750
<b>Total less HRA</b>	<b>1,246</b>	<b>928</b>	<b>(318)</b>
Total Investments	(499)	(220)	279
Less: Item 8 credit	130	36	(94)
<b>Total less HRA</b>	<b>(369)</b>	<b>(184)</b>	<b>185</b>
<b>Total CLIA</b>	<b>877</b>	<b>744</b>	<b>(133)</b>

- 4.5 The CLIA comprises the Council's borrowing costs and investment income. It is difficult to predict and can be affected by several factors. The majority of the Council's debt is on fixed rates reflecting the longer-term nature of the borrowing decisions. Investments are generally made for shorter periods, making returns more variable. This mix is generally more beneficial when interest rates are high or increasing. It is important to add that the exposure to interest rate movements is regularly monitored to minimise risks to changes in returns. The reasons that have contributed to the above variances include:
- The variance against interest income is as a result of a higher level of funds than was envisaged being available for investment, and the rates against

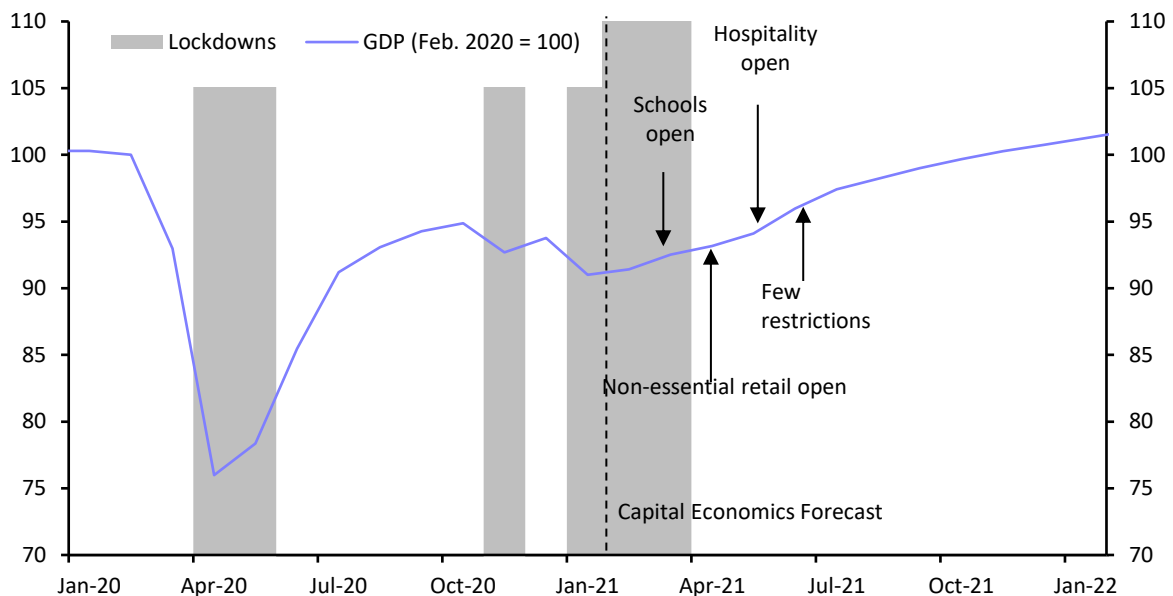
some investments being lower than the budgeted figure. A proportion of this income was moved to the Housing Revenue Account, based on average HRA balances and investment returns.

## **5     *The strategy for 2020/21***

- 5.1     The investment policy reflected the Council's low appetite for risk, emphasising the priorities of security and liquidity over that of yield. The main features of the policy were that the Council will apply minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties, which also enables diversification and avoidance of concentration risk. Investment decisions also applies the creditworthiness service provided by Link Asset Services, which combines data from credit rating agencies with credit default swaps and sovereign ratings.
- 5.2     The Council would only use approved counterparties from countries with a minimum credit rating of 'AA-'. The Council will consider longer-term deals if attractive rates are available within the risk parameters set by the Council.
- 5.3     **Changes in strategy during the year** – the strategy adopted in the original Treasury Management Strategy for 2020/21 approved by the Council on 13th February 2020, was reviewed as part of the mid-year update report. There were no proposed changes to the strategy because of this review.

## **6     *The economy and interest rates***

- 6.1     **UK. Coronavirus.** The financial year 2020/21 will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09. A short second lockdown in November did relatively little damage but by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three-month lockdown so much less damage than was caused than in the first one. The advent of vaccines starting in November 2020, were a game changer. The way in which the UK and US have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel, and hotels as soon as they reopen. It is therefore expected that the UK economy could recover its pre-pandemic level of economic activity during quarter 1 of 2022.



**6.2 Government support.** The Chancellor has implemented repeated rounds of support to businesses by way of cheap loans and other measures and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit ballooning in 20/21 and 21/22 so that the Debt to GDP ratio reaches around 100%. The Budget on 3rd March 2021 increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

**6.3 Average inflation targeting.** This was the major change adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and **achieving the 2% target sustainably**". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. This sets a high bar for raising Bank Rate and no increase is expected by March 2024, and possibly for as long as five years. Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short-lived factor and so not a concern to the MPC.

**6.4 BREXIT.** The final agreement on 24<sup>th</sup> December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so

there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

## **7     *Borrowing***

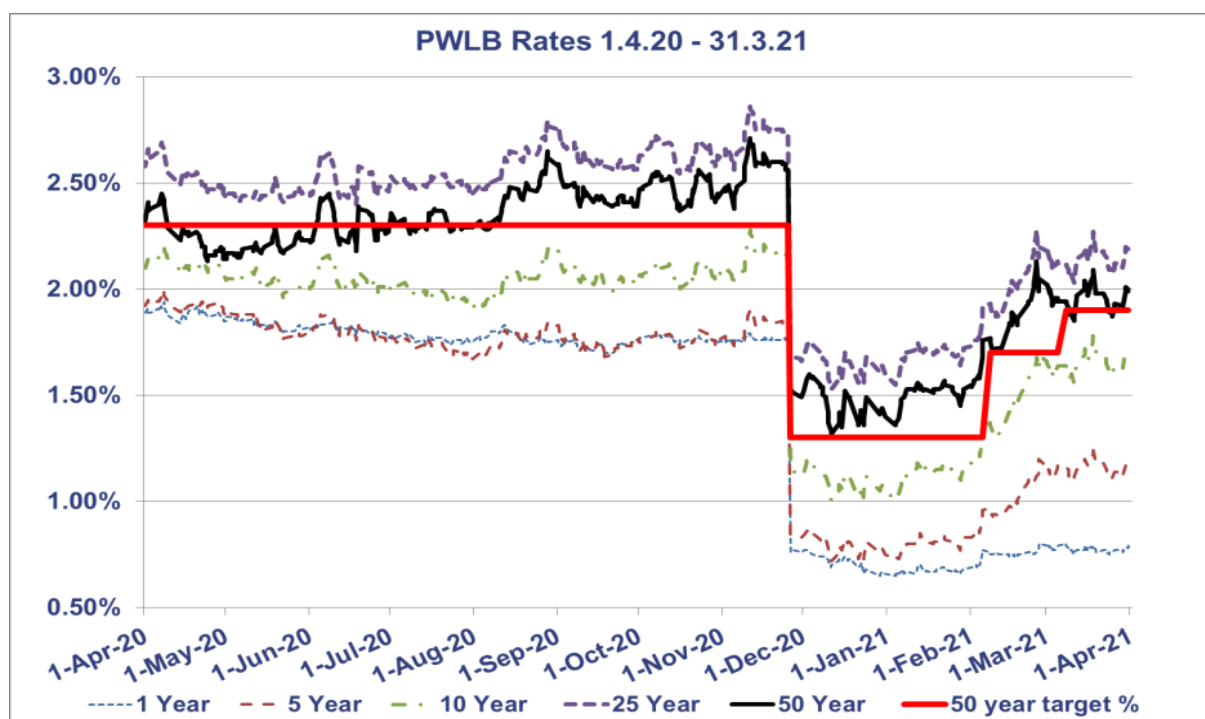
- 7.1 During 2020/21, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.
- 7.2 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.
- 7.3 The Council's approach during the year was primarily to use cash balances to finance new capital expenditure. This minimised counterparty risk incurred on investments, and maximised treasury management budget savings as investment rates were much lower than most new borrowing rates.
- 7.4 The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Interest rate forecasts expected only gradual rises in medium- and longer-term fixed borrowing rates during 2020/21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

*Forecasts at the time of approval of the treasury management strategy report for 2020/21 were as follows*

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

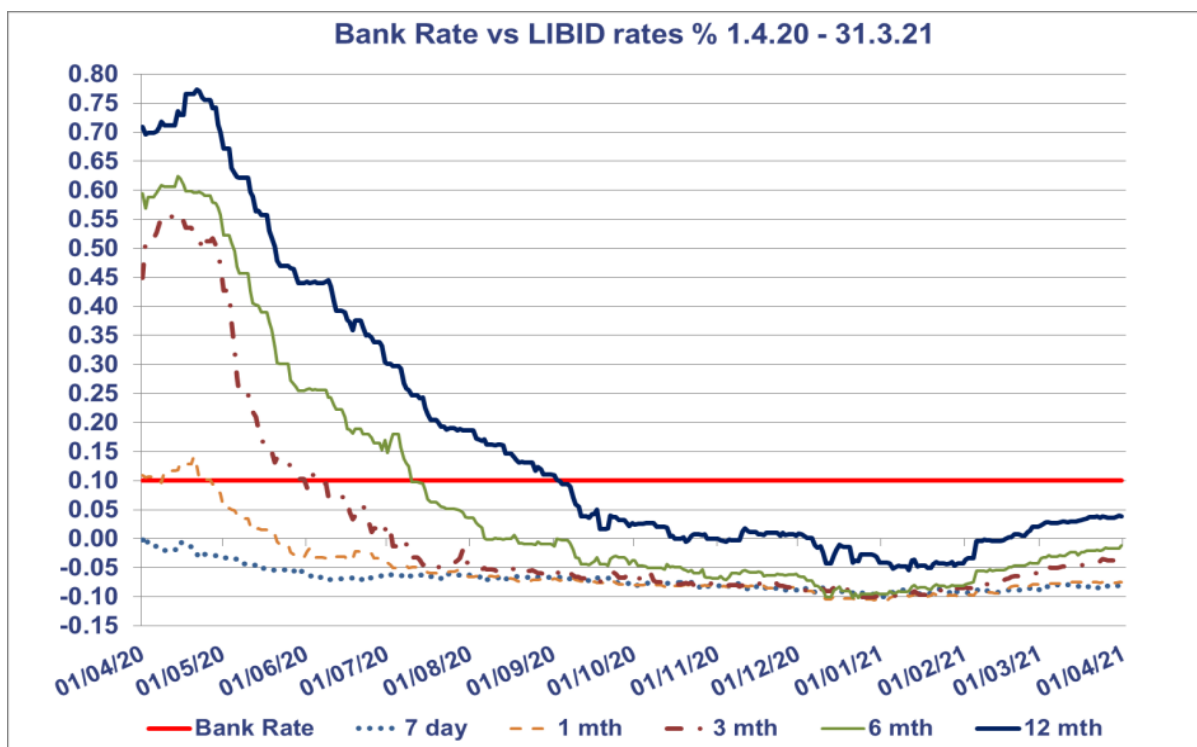
PWLB Borrowing rates throughout 2020/21 were as follow



- 7.5 The Council's total debt outstanding at 31 March 2021 was £169.9m, which is an increase of £7.5m on last year. Due to the low rates available, this resulted in the average interest rate on the Council's debt at the end of the year reducing to 3.52%.
- 7.6 The Council's approach during the year was primarily to use cash balances to finance new capital expenditure. This minimised counterparty risk incurred on investments, and maximised treasury management budget savings as investment rates were much lower than most new borrowing rates.

## **8 Investments**

- 8.1 Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.
- 8.2 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
- 8.3 Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.



- 8.4 The Council manages its investments in-house, and its cash balances comprise revenue and capital resources and cash flow monies. The Council's investment policy is governed by MHCLG investment guidance, which was implemented in the Annual Investment Strategy approved by the Council on 13 February 2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.)
- 8.5 The investment activity during the year conformed to the approved strategy, the Council had no liquidity difficulties, and no institutions in which investments were made during 2020/21 had any difficulty in repaying investments and interest in full.
- 8.6 The Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

	31-Mar-20	31-Mar-21
Balance Sheet Resources	£'000	£'000
Balances	6,206	6,519
Earmarked Reserves	32,475	41,246
Provisions	3,483	3,531
Capital Reserves	977	1,257
<b>Total</b>	<b>43,141</b>	<b>52,653</b>


- 8.7 The Council's internally managed funds earned an average rate of return of 0.23%. The comparable performance indicator is the average 3-month LIBID rate (London Interbank Bid Rate – the rate charged by one bank to another for a

deposit) (uncompounded), which was 0.09%.

Financial Year	Return %	Benchmark LIBOR (6 Month Rate)
2019/20	0.87	0.70
2020/21	0.23	0.09

- 8.8 The Council had temporary investments totalling £51.0m outstanding as at 31 March 2021. Of this, £35.5m relates to fixed-term deposits that are due to mature during 2020/21, £10.5m is held in 'AAA' rated money market funds with the remaining £5m is held in notice accounts. All of the deposits were made in accordance with the 2020/21 Annual Investment Strategy. A full list of investments held as at 31 March 2021 is shown in **Appendix B** (confidential).



	<b>Governance &amp; Audit Committee 7 September 2021</b>		<b>Item 10</b>
<b>Report of</b>	<b>Assistant Director – Corporate and Improvement</b>		
<b>Title</b>	<b>Revised timetable to finalise the audit of the Statement of Accounts 2020/21</b>		
<b>Wards affected</b>	Not applicable	<b>Author</b>	<b>Paul Cook ☎ 505861 Mark Jarvis</b>

## 1 **Action required**

- 1.1 To note the revised timetable for 2020/21 statement of accounts.

## 2 **Recommendations**

- 2.1 To note the revised timetable.
- 2.2 To note the requirement to issue a public notice for late publication of the Statement of Accounts

## 3 **Background**

- 3.1 The 2015 Accounts and Audit Regulations have been amended by the Accounts and Audit Regulations 2021. The effect on the statutory timetable is set out below.

Element	Normal Arrangement	2020/21 Accounts
Approval of accounts and publication by the Council	Not later than 31 July	Not later than 30 September
Public Inspection	Period to include the first 10 working days of June	Must commence on or before the first working day of August

- 3.2 Following discussions with BDO – the Council's external auditors – the Council closed its accounts 7 weeks before the statutory deadline. This has enabled finance resources to be focused on the budget challenges ahead and allow the external auditors to start the audit at the earliest opportunity.
- 3.3 The draft statement of accounts was signed by the Head of Finance 11 June 2021 and published on the Council's website.
- 3.4 The 30 working days period for public inspection commenced after the approval of the Annual Governance Statement by 22 June Governance and Audit Committee. Public inspection has been undertaken electronically.

- 3.5 BDO have undertaken some audit work but have stated will not be able to give their audit opinion and use of resources judgment by the planned date of 7 September 2021 Governance and Audit Committee.
- 3.6 The timetable must therefore be revised to achieve the November Governance and Audit Committee. This will regrettably lead to late publication of the 2020/21 Statement of Accounts and corresponding audit opinion.
- 3.7 In accordance with Regulation 10 (2) of the accounts and Audit Regulations, the Section 151 officer will be required to issue a Late Publication Notice on the Council's website.

#### **4 BDO comments / Progress**

- 4.1 Following liaison meetings with our external auditors, progress on the current audit has been provided by BDO:
- Planning work substantially completed
  - Majority of the system work has been completed
  - Some samples have been selected for detailed testing
  - The audit team will be on-site virtually from the 6th of September for five weeks with the view to provide the audit completion report in time for November committee.

#### **5 Strategic Plan reference**

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

#### **6 Financial implications**

- 6.1 Within this report

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

- 7.1 Future years' statements of accounts will reflect the Council's declaration of a Climate Emergency and its commitment to becoming carbon neutral by 2030. The environmental and sustainability implications of individual programmes will be thoroughly assessed with reference to the definition of sustainable development set out in the National Planning Policy Framework.

#### **8 Equality and Diversity Implications**

- 8.1 Equality and diversity issues for individual projects are assessed in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

#### **9 Risk management implications**

- 9.1 As set out in the statement of accounts

#### **10 Other standard references**

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

#### **11 Background papers**

11.1 Accounts and Audit Regulations 2015

11.2 Accounts and Audit Regulations 2021

11.3 Draft Statement of Accounts 2020-21



7 September 2021

Report of	<b>Dan Gascoyne, Senior Information Risk Owner</b>	Author	<b>Nicola Cooke</b> ☎ 01206 508929
Title	<b>Review of the Council's Processing of Special Category &amp; Criminal Convictions Personal Data Policy</b>		
Wards affected	Not applicable		

## 1. Executive Summary

- 1.1 This report requests the Committee to review the Council's new Processing of Special Category & Criminal Convictions Personal Data Policy. This is a new policy which the Council is required to have under Data Protection Act 2018.
- 1.2 The report also requests the Committee to recommend to Full Council to include the new policy in the Ethical Policy Framework which comprises all of the Authority's key policies which set out the standards of conduct and integrity that the Colchester Borough Council (the Council) expects from its Councillors, staff and all partners when conducting Council business.

## 2. Recommended Decision

- 2.1 To recommend to Full Council that the Processing of Special Category & Criminal Convictions Personal Data Policy, attached at Appendix A to this report, be adopted and approved for inclusion in the Council's Policy Framework.

## 3. Background

- 3.1 The Council is committed to maintaining the highest standards of governance and a suite of policies is approved annually at Full Council.
- 3.2 A varied range of policies and procedures form the Corporate Governance framework and a selection of these relate to ICT and Data Protection
- 3.3 Paragraph 1 of Schedule 1 of the Data Protection Act 2018 requires that an appropriate policy document be in place where the processing of special category or criminal convictions personal data is necessary to carry out functions which are imposed or conferred by law on us or the subject of the data in connection with employment, social security or social protection matters.

## 4. Review of Ethical Governance Policies

- 4.1 This policy covers the processing of certain types of special category personal information. It sits alongside the Data Protection Policy which covers the Council's approach to the processing of any personal information.

## 5. Strategic Plan References

- 5.1 The manner in which the Council governs its business and protects the data it controls and accesses underpins the Council's Strategic Plan priorities to set out the direction and future potential for our Borough.

## **6. Publicity Considerations**

- 6.1 The Council's ethical governance policies will be published on the Council's website.

## **7. Financial, Equality, Diversity and Human Rights, Consultation, Health, Wellbeing and Community Safety, Health and Safety, Risk Management and Environmental and Sustainability Implications**

- 7.1 None.

# Processing of Special Category & Criminal Convictions Personal Data Policy

August 2021



Customer Business Culture

# Processing of Special Category and Criminal Convictions Data Policy

## CONTEXT

The aim of this policy document is to set out how, within the provisions of applicable data protection law (specifically the Data Protection Act 2018 and the General Data Protection Regulations), Colchester Borough Council will seek to protect special category and criminal convictions personal data.

This policy should be read in conjunction with Colchester Borough Council's Data Protection Policy.

This document is to meet the requirements of paragraph 1 of Schedule 1 of the Data Protection Act 2018 that an appropriate policy document be in place where the processing of special category or criminal convictions personal data is necessary to carry out functions which are imposed or conferred by law on us or the subject of the data in connection with employment, social security or social protection matters.

It also meets the requirement of paragraph 5 Schedule 1 of the Data Protection Act 2018 that an appropriate policy document be in place where the processing of special category personal data is necessary for reasons of substantial public interest.

## DEFINITION SPECIAL CATEGORY DATA

The legislation makes a distinction between 'personal data' and 'special category data'. Special category data is defined in Article 9 of the General Data Protection Regulation as personal data revealing:

- Racial or ethnic origin
- Political opinion
- Religious or other beliefs
- Trade union membership
- Physical or mental health or condition
- Sexual life or sexual orientation
- Criminal proceedings or convictions
- Philosophical
- Genetic data
- Biometric data.



## DEFINITION OF CRIMINAL CONVICTIONS DATA

Article 10 of the General Data Protection Regulation defines criminal convictions data as personal data relating to an individual's criminal convictions and offences or related security measures.

Section 11 of the Data Protection Act 2018 states that criminal convictions data includes personal data relating to:

- The alleged commission of offences by the data subject.
- Proceedings for an offence committed or alleged to have been committed by the data subject or the disposal of such proceedings, including sentencing.

Examples of criminal convictions data also includes information linked to security measures and restrictions, such as bail conditions, cautions, and restraining orders, and less obvious types of information, such as personal data relating to witnesses, victims of crime, and details of allegations (proven and unproven). It may also include information about civil measures which may lead to a criminal conviction if not adhered to.

## CONDITIONS FOR PROCESSING SPECIAL CATEGORY AND CRIMINAL CONVICTIONS DATA

Examples of areas of Colchester Borough Council that exercise law enforcement functions are: wardens, fraud investigations, environmental services, food safety, health and safety, licensing, planning and private sector housing.

Article 9 lists the conditions for processing special category data:

- The data subject has given explicit consent.
- The processing is necessary in the context of employment law, or laws relating to social security and social protection.
- The processing is necessary to protect vital interests of the data subject or of another natural person.
- The processing is carried out, in the course of the legitimate activities of a charity or not-for-profit body, with respect to its own members, former members, or persons with whom it has regular contact in connection with its purposes.
- The processing relates to personal data which have been manifestly made public by the data subject.
- The processing is necessary for the establishment, exercise or defence of legal claims, or for courts acting in their judicial capacity.
- The processing is necessary for reasons of substantial public interest.
- The processing is required for the purpose of medical treatment undertaken by health professionals, including assessing the working capacity of employees and the management of health or social care systems and services.
- The processing is necessary for reasons of public interest in the area of public health.
- The processing is necessary for archiving purposes in the public interest, for historical, scientific, research or statistical purposes, subject to appropriate safeguards.

In addition Schedule 1 of the Data Protection Act 2018 establishes conditions that permit the processing of the special categories of personal data and criminal convictions data. The Schedule is split into four parts:

- Part 1 – Conditions relating to employment, health and research.
- Part 2 – Substantial public interest conditions.
- Part 3 – Additional conditions relating to criminal convictions.
- Part 4 – Appropriate policy document and additional safeguards.

## DATA PROTECTION PRINCIPLES

Article 5 of the General Data Protection Regulation describes the data protection principles. Below sets out details of how Colchester Borough Council will comply with these in relation to the processing of Special Category and Criminal Offence personal data:

- Special category and conviction data is only processed where a lawful basis applies, and where processing is otherwise lawful.
- Special category and conviction data is processed fairly.

- Data subjects receive full privacy information so that any processing of special category and conviction data is transparent.
- We will only collect special category and conviction data for specified, explicit and legitimate purposes.
- We will not use special category and conviction data for purposes that are incompatible with the purposes for which it was collected. If we do use special category and conviction data for a new purpose that is compatible, we will inform the data subject first.
- We will only collect the minimum special category and conviction data that we need for the purpose for which it is collected.
- The data we collect is adequate and relevant.
- Special category and conviction data will be accurate and kept up to date where necessary.
- We only keep special category and conviction data in identifiable form as long as is necessary for the purposes for which it is collected, or where we have a legal obligation to do so.
- We will ensure there are appropriate organisational and technical measures in place to protect special category and conviction data.

## ACCOUNTABILITY PRINCIPLE

Colchester Borough Council is responsible for demonstrating compliance with these principles. Our Data Protection Officer holds responsibility for doing this. They will:

- Ensure that records are kept of all personal data processing activities, and that these are provided to the Information Commissioner on request.
- Carry out Data Protection Impact Assessment (DPIAs) for any high-risk personal data processing, and consult the Information Commissioner if appropriate.
- Provide independent advice and monitoring of departments' personal data handling.
- Have in place internal processes to ensure that personal data is only collected, used or handled in a way that is compliant with data protection law.
- Keep a record of personal data breaches.

## RETENTION AND ERASURE

Colchester Borough Council will ensure, where special category personal data or conviction data are processed, that:

- There is a record of that processing and that record will set out, where possible, the envisaged time limits for erasure.
- Data subjects receive full privacy information about how their data will be handled.
- Where we no longer require special category or convictions data for the purpose for which it was collected, we will delete it or render it permanently anonymous.
- We retain personal information for as long as necessary to fulfil the purposes we collected it for, including for the purposes of satisfying any legal, accounting, or reporting requirements.

Details of the retention periods for personal data can be found in our Retention Policy.

## THE INFORMATION COMMISSIONER (ICO)

Colchester Borough Council is registered with The Information Commissioner (ICO) as a data controller.

## POLICY REVIEW

This policy document will be retained in accordance with Part 4 of Schedule 1 of the Data Protection Act. It will be made available to the Information Commissioners Office (ICO) on request. The policy will be reviewed on an annual basis and updated as necessary at these reviews.

## FURTHER INFORMATION

For further information about Colchester Borough Council's compliance with Data Protection Legislation, please visit [www.colchester.gov.uk/privacy](http://www.colchester.gov.uk/privacy) or email [dpo@colchester.gov.uk](mailto:dpo@colchester.gov.uk).

## VERSION CONTROL

Purpose:	To specify how the Council complies with Data Protection Legislation with regard to the processing of special category and criminal conviction personal data
Status:	Draft
Final date:	
To be reviewed:	August 2022

## Governance and Audit Committee

Item  
**12**

27 July 2021

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

### 1. Executive Summary

- 1.1 This report sets out the current Work Programme 2021-2022 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 of the Work Programme for 2021-2022.

### 3. Reason for Recommended Decision

- 3.1 The Work Programme of this Committee is kept under review throughout the municipal year to ensure that business is progressed and Members have the opportunity to review upcoming agenda items. Members are asked to note that the item; Colchester Borough Homes Annual Report and Governance Statement, has been moved from this meeting to the next meeting of this Committee in October.

### 4. Alternative Options

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

### 5. Background Information

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

## **6. Standard References**

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

## **7. Strategic Plan References**

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

## **WORK PROGRAMME 2021-22**

<b>Governance and Audit Committee</b>
<b>Meeting date / Agenda items -</b>
Governance and Audit Committee - <b>22 June 2021</b>
<ol style="list-style-type: none"><li>1. Draft Annual Statement of Accounts 2020/2021</li><li>2. Year End Internal Audit Assurance Report 2020/2021</li><li>3. Review of the Governance Framework and Draft Annual Governance Statement</li><li>4. Financial Regulations 2022-2023</li><li>5. Financial Monitoring Report – End of Year 2020-2021</li><li>6. Capital Outturn – End of Year 2020-2021</li></ol>
Governance and Audit Committee - <b>27 July 2021</b>
Governance and Audit Committee briefing followed by the following items -
<ol style="list-style-type: none"><li>1. Review of digital meetings following Covid-19</li><li>2. Colchester Commercial Holdings Limited – Annual report</li><li>3. 2020/2021 Year End Review of Risk Management</li></ol>

**Governance and Audit Committee - 7 September 2021**

1. Financial Monitoring Report – April to June 2021
2. Capital Expenditure Monitor 2021/2022
3. Treasury Outturn 2020/2021
4. Audited Annual Statement of Accounts 2020/2021 and Annual Audit Letter
5. Processing of Special Category & Criminal Convictions Personal Data Policy

**Governance and Audit Committee - 19 October 2021**

1. Local Government and Social Care Ombudsman Annual Review 2020/2021
2. Health and Safety Policy and Annual Report
3. Colchester Borough Homes Annual Report and Governance Statement
4. Review of digital meetings following Covid-19
5. Review of Colchester Borough Council's Cyber Security provisions

**Governance and Audit Committee – 23 November 2021**

1. Treasury Management Report 2020-21
2. Review of the Council's Ethical Governance Policies
3. Annual Review of the Members' Code of Conduct and the Council's Localism Act "Arrangements"
4. Review of Local Code of Corporate Governance
5. Review of Member/Officer Protocol
6. Gifts and Hospitality – Review of Guidance for Councillors and Policy for Employees
9. Treasury Management – Half Yearly Update
10. Equality and Safeguarding Annual Update
11. Annual Audit Letter 2020/2021
12. Financial Monitoring Report June – September 2021
13. Capital Monitoring 2021/2022

**Governance and Audit Committee - 18 January 2022**

1. Interim Review of the Annual Governance Statement Action Plan
2. Risk Management Progress Report
3. Mid-Year Internal Audit Assurance Report 2021/2022
4. CCHL Half-Year Performance Report (to include draft 3 year plan)
5. Annual Review of the Council's Companies' Business Plans
6. Annual Review of Business Continuity

**Governance and Audit Committee - 8 March 2022**

1. External Audit Plan for year ending 31 March 2022 and Certification of Claims and Returns – Annual Report 2020/2021
2. Financial Monitoring Report October to December 2021
3. Capital Expenditure Monitor 2021/2022
4. Internal Audit Plan 2022/2023
5. Review of digital meetings Covid-19