

COLCHESTER BOROUGH COUNCIL ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

Scope of responsibility

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

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

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on the Council website at www.colchester.gov.uk or can be obtained from Colchester Borough Council, Rowan House, 33 Sheepen Road, Colchester, CO3 3WG.

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

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

The purpose of the governance framework

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

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

The Council's governance framework has been in place during the year ended 31 March 2019 and up to the date of the approval of the annual accounts.

Elements of the Framework

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

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

- **A performance management system** for all officers that identifies key objectives and development needs.
- **A member training and development programme.**
- **A communications strategy** which establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- **A partnership strategy** that ensures that the quality of the Council's partnerships are improved and that all partnerships, both current and proposed, add value.
- **Treasury management practices and policies**

The post of the Section 151 Officer for Colchester Borough Council was held permanently by the Strategic Finance Manager until February 2019, when they ceased working for the Council. An interim Section 151 Officer was appropriately appointed by full Council to fill the role for the remainder of the year. The arrangements in place ensured that the Council's financial management arrangements conformed with the governance requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government (2016).

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT:

Review of effectiveness

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

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

- **A robust Internal Audit function** where the planned work is based on identified key systems and risk areas. The Council's Internal Audit Service arrangements conform to the governance requirements and core responsibilities of the *CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010)*
- **An embedded reporting system** for both internal and external audit issues that ensures that senior managers and members are fully briefed on key issues, which includes regular reporting to the Governance and Audit Committee.
- **A comprehensive risk management process** that ensures the key risks across the authority, both operational and strategic, are captured and reported to senior officers and Members.
- **The reports of the Chief Financial Officer** to Members and the senior management team including financial assessments of key projects and decisions.
- **Reporting of key performance issues** to the Scrutiny Panel.
- **A comprehensive budget monitoring process** that is reported monthly to senior managers.
- **A partnership register** that records the details of all the partnerships that the Council is involved in.

- **A defined Monitoring Officer role** which sets out responsibility for ensuring all decisions comply with statutory requirements and are lawful.

The significant control issues found during the review are highlighted in the table at the end of the statement. Whilst it is not considered a significant control issue it should be noted that for a proportion of the year the Local Plan Committee was chaired by a Council officer rather than a Council Member, as an agreement could not be reached over the who should be appointed. Whilst this is permitted, it is not good practice. This was resolved during the year and has not been repeated for the coming year.

Effectiveness of Other Organisations

The Council owns six companies:

- Colchester Borough Homes (CBH) which was created in 2003,
- Colchester Community Stadium Limited (CCSL) created in 2007
- Colchester Commercial (Holdings) Limited (CCHL), and its three subsidiary companies –
- Colchester Amphora Trading Limited,
- Colchester Amphora Energy Limited and
- Colchester Amphora Housing Limited.

It also leads two joint (with other local authorities) services:

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

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

Whilst CBH is an 'arms-length' company it is still necessary for the Council to ensure that it operates effectively to ensure that it provides an effective and economical service to housing tenants and that the Council's asset, the housing stock, is adequately protected. CBH have produced their own annual governance review that has been shared with the Council. There were no significant control weakness identified during the year that are required to be included in this statement.

A review of the management arrangements for CCSL was carried out as part of the preparation of this statement. Whilst CCSL is an 'arms-length' company it is still necessary for the Council to ensure that it operates effectively to ensure that it can make the necessary loan repayments to the Council and that the Council's asset, the stadium, is adequately protected. There were no significant control weakness identified during the year that are required to be included in this statement.

The CCHL group was created to enable a more commercial approach to be taken to deliver revenue generating Council services and to develop innovative options for new services in the future, such as a heat exchange system for the Borough. Whilst the CCHL group are operating in a commercial environment, and therefore can take a different approach to service delivery they are still delivering services on the Council's behalf. Therefore, it is necessary to ensure that it operates effectively to deliver the best possible outcomes for the Council. This was the first year of operation of the companies and therefore some processes are still in development. During the review it was noted that

that there was some political crossover during the year, with a CBC Cabinet member chairing the CCHL board, but this has been resolved going forward. However, there were no significant control weaknesses that need to be included in this statement.

The Council is the lead partner in the Colchester & Ipswich joint museum service. Due to the nature of the arrangement, the joint museum service conducts its own annual governance review which includes an assessment of internal control. Therefore, it is not intended to include any details relating to this service within this statement.

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

The Council has a comprehensive partnership strategy and maintains a detailed register of the partnerships that it participates in. The strategy defines what a partnership is and details the governance arrangements that should be in place for all partnerships, both present and new. It also provides a mechanism for improving the effectiveness of the partnerships.

Internal Audit Opinion

From the work undertaken in 2018/19, Internal Audit has provided satisfactory assurance that the system of internal control that has been in place at the Council for the year ended 31 March 2019 accords with proper practice. This is excepting any details of significant internal control issues as documented hereafter. It is also the opinion of Internal Audit that the Council's corporate governance framework complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Review of Actions from 2017/18 Statement

There were four actions included in the Annual Governance Statement for 2017/18:

- Security of Premises / Information
- Contract Management
- Project Management
- Financial Management

Further work has been undertaken to strengthen building security and the additional arrangements for the main office building are working well. There have been additional IT security tests undertaken during the year and targeted additional training and awareness activity has been carried out.

Contract management arrangements are being embedded, and the procurement team has been strengthened with the transfer of a part time member of staff from the external procurement hub into the Council, on a full-time basis. However, it is felt that there needs to be further promotion of the contract procedure rules.

An extensive training programme for project management has been delivered during the year and the governance process is embedded into projects. There still needs to be some development of post-implementation process.

There have been changes in senior officers in the Finance team during the year, however the financial management processes have been strengthened and training has been delivered to relevant officers.

Conclusion & Significant Governance Issues

Overall the control arrangements in place during the 2018/19 financial year have been effective and were appropriate. However, the review has identified some areas where actions are required to ensure that the authority continues to provide appropriate and cost-effective services. The issues and action plans are shown in the table below. These will be monitored and reviewed via the Internal Audit review process during 2019/20

No.	Issue	Action
1.	<p>Data Protection</p> <p>During the governance review it was noted that, whilst there were no reportable data breaches during the year, there still needs to be some strengthening of the controls around the protection of data and use of personal information, including respecting individuals' rights and access arrangements.</p>	<p>A comprehensive framework of data protection actions will be delivered during 2019/20 including:</p> <ul style="list-style-type: none"> • Compiling a complete register of Information Assets and Data Flows. • Delivery of Data Protection refresher training • Strengthening of data retention policies. • Reviewing data actions in the procurement process • Reviewing compliance of privacy impact assessments. • Implement security measures as agreed by SMT. • Conducting data protection audits at remote sites and ensuring recommendations are embedded and are effective.
2.	<p>Project Management</p> <p>Whilst the project management processes have continued to be embedded, and a robust framework exists, which is beginning to demonstrate good management during the project initiation and implementation phases, there is still some improvement required to the post implementation stage. It should be ensured that there is a robust post-implementation review process that includes an honest assessment of what worked well and what didn't, monitoring and reporting of delivery against performance indicators, and knowledge sharing for future projects.</p>	<p>Cabinet agreed in January 2019 to review governance processes and programme reporting for all CBC transformation activity to provide greater oversight, strengthen programme management (pre- and post-implementation) and coordinate resources across Policy and Corporate and other services. A new Corporate Programmes and Projects SharePoint site, SMT governance and training will be established.</p>

No.	Issue	Action
3.	<p>Long Term Decision Making Senior officers, and Members, recognised that the closeness of the political balance during the year had had an impact on longer term decision making, with the focus being on more reactive and shorter-term goals. This has caused some constraints on resources and officer ability to respond.</p>	<p>Working relationships between SMT and Cabinet members continue to be strengthened through informal meetings, member training, awareness raising and Portfolio briefings on key internal and external factors, demographics, legislation, policy development and trends affecting the Council. Refresher training on Members' code of conduct to be provided to all Members. Officers are supporting the administration to ensure political priorities are aligned with the three year Strategic Plan and MTFF issues.</p>
4.	<p>Finance System The internal audit IT review of one of the financial systems highlighted a significant number of control weaknesses. Including licensing of the system, backup of data, disaster recovery plans and service level agreements with the supplier.</p>	<p>The current Finance system is scheduled to be upgraded by end of financial year 19/20. The contract is in place and initial technical work has been completed. The new version of the software will be implemented alongside an updated contract with SLAs, a review of process and is expected to resolve the significant control weaknesses identified. ICT and Finance see this new system implementation as a critical priority in this financial year</p>

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

Signed:

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Leader of the Council

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Chief Executive

on behalf of Colchester Borough Council