

## **Colchester Borough Homes Annual Governance Statement 2018/2019**

### **1. Scope of Responsibility**

Colchester Borough Homes (CBH), formed in October 2003, is the Arms-Length Management Organisation of Colchester Borough Council (CBC), responsible for the management and maintenance of the Council's homes and transferred general fund services. In 2018/19, these were primarily financed from the Council through a Management Fee of £9,315,000. This fee also includes Property Services professional fees, Corporate Facilities management fee and CBH Revenue work costs. Property Services also manages capital and revenue work costs paid directly by CBC, totalling £4,142,000.

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

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

### **2. The Purpose of the Governance Framework**

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

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

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

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

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The governance framework has been in place at Colchester Borough Homes for the year ended 31 March 2019 and up to the date of approval of the financial statements of accounts.

Colchester Borough Homes exercises control through:

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

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

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

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

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

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

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

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

#### **Internal Audit**

Internal Audit is delivered through a contract with Mazars LLP (Mazars). A five-year risk-based Strategic Audit Plan was initially approved by the Finance and Audit Committee in June 2016, following the successful re-appointment of Mazars in April 2016. This is refreshed on an annual basis in consultation with the Directors Management Team. The updated plan was approved by the Finance & Audit Committee in March 2019.

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

The Head of Internal Audit prepares an annual Head of Internal Audit Opinion (HOIA) report that includes an overall opinion on CBH's internal control environment based on the results of the audit work completed. This was considered by the June 2019 Finance & Audit Committee.

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

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

**External Audit**

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

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

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

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

**4. Significant Governance Issues brought forward from 2017/18**

There were no significant governance issues reported in 2017/18 and no actions brought forward to 2018/19.

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### 5. Significant Governance Issues 2018/19

The Company conducted a Board Effectiveness Review lead by an external specialist consultancy. The review formed a positive conclusion on the Board's effectiveness and made some recommendations for improvements. These recommendations form the basis of an action plan for the coming year.

Other governance issues identified through the Governance Assurance Process in 2018/19 that are to be addressed in 2019/20 are:

- Procurement training, particularly for medium and low value transactions
- Review and testing of the Business Continuity Plan
- Imbed the new risk management process

#### Action Plan

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

Description	Action	Responsibility	Target Completion Date
Procurement	Additional training	Director of Business Improvement	Feb 2020
Business Continuity Plan	Review and testing of Plan	DMT	Dec 2019
Risk Management	Imbed new process	Director of Business Improvement	Mar 2020
Board Effectiveness Review	Complete review action plan	Chair	Mar 2020

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

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

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

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