

# **COLCHESTER CITY COUNCIL DRAFT ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2023**

## **Scope of responsibility**

Colchester City 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, 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](http://www.colchester.gov.uk) or can be obtained from Colchester City 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 PART 2 regulation 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 Council is directed and controlled. Which in turn directs the activities through which it accounts to, engages with and leads the community. It enables the Council 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 2023 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 Council complies with the principals of good governance. These include:

- **The Strategic Plan** – The Strategic Plan for 2023-26 – A City fit for the Future – was issued in January 2023. This identifies and communicates the Council'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 Council'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 and Police'. It also acts as the 'client' committee scrutinising the performance of 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.
- **Treasury management practices and policies**

The post of the Section 151 Officer for Colchester City Council is held by the Strategic Finance Manager. 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).

The CIPFA Financial Management Code was published in May 2020, a full self - assessment against the code was due to be carried out in 2022/23, however it was not completed during the year, but an initial review has not identified any significant issues which would affect the Council's financial sustainability.

## **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 Council 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 (2019)*. The services' compliance with the Public Sector Internal Audit Standards has been independently assessed and verified.
- **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 Council, 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 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. It should be noted that all Internal Audit reviews carried out during the year achieved either a 'Substantial' or 'Reasonable' assurance level.

## Peer Challenge

The Council's current Chief Executive took up their post at the beginning of the 2022/23 financial year and requested a Peer Challenge from the Local Government Association. The review was carried out in September 2022 and the team were asked to review the five core peer challenge areas of local priorities and outcomes, organisational and place leadership, governance and culture, financial planning and management and capacity for improvement. They were also requested to review transformation and organisational development, and regeneration and growth.

The key highlights from the challenge were:

- With the opportunities afforded by their plans for growth, the new Member and Officer Leadership team and, most crucially, city status, the City Council and Colchester, the place is on the cusp of something great.
- Colchester City Council has good self-awareness and understands the communities it serves and the economy across the borough.
- Colchester has an incredible heritage and culture offer that competes nationally and Colchester City Council has worked hard over the years to develop resilient and productive relationships and partnerships to ensure this heritage and cultural offer can thrive.
- Colchester City Council is driven and has a strong desire for achievement and delivery, with fantastic people, including staff, councillors, and partners.

The report also identified 8 key recommendations as follows:

1. Focus on city status. Use this as an opportunity to galvanise partners, improve the borough's economic and cultural strength and raise the voice of Colchester.
2. Get a firmer grip on the capital programme – manage all risks and improve planning to ensure there is appropriate strategic finance, programme and project capacity and the resources to deliver.
3. Co-design a compelling and longer-term place-based narrative/city vision to define Colchester for the future.
4. Strengthen political and officer 'leaders of place' roles and look beyond Colchester – map anchor institutions, partners and stakeholders.
5. Review priorities and projects and refocus on delivering 'Brilliant Business as Usual' and strengthen corporate resources.
6. Strongly consider whether changing the election cycle will help achieve goals, ambitions and deliver improved services for Colchester's communities.
7. Better define with staff what 'hybrid working' means for Colchester Borough Council and provide a clear definition. Also, clarify how the new Colchester Borough Council's values will be designed and embedded, communicating to staff how these define the Council and will help achieve Colchester's ambition.
8. Commission an independent review of Colchester Commercial (Holdings) Limited, and its subsidiaries, also undertake an internal review of Colchester Borough Homes Limited to assess whether the companies are realising the benefits they were established to deliver.

It should be noted that during their first year in post the Chief Executive has reviewed the management structure of Colchester City Council. The initial changes, restructuring the executive management level, creating a Senior Leadership Board, were implemented

during the year. This created three Strategic Directors, alongside the Chief Executive, Chief Operating Officer and an Executive Director. The Senior Leadership Team also includes the Managing Director of Colchester Commercial (Holdings) Limited, the Chief Executive of Colchester Borough Homes Limited and the North East Essex Alliance Director, providing a more cohesive approach to decision making, to ensure that the outcomes are the most appropriate for the city as a whole.

The second part of the restructure, appointment of Heads of Service, to complete the Senior Leadership Team will be effective from 7 June 2023. The results of this restructure will be monitored and reported as part of next year's governance review.

## **Effectiveness of Other Organisations**

The Council owns five companies:

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

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 weaknesses, identified by Colchester Borough Homes, during the year that are required to be included in this statement. However, the peer challenge recommended a review of the company, and an independent review was carried out in January 2023. This provided assurance that the current governance and operation of the company is sound and fit for purpose. There were recommendations raised to ensure more effective collaborative working and understanding, and a detailed action plan has been put in place to take this work forward.

The CCHL group was created to enable a more commercial approach to be taken to delivering revenue generating Council services and to develop innovative options for new services in the future. 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. The activities of CCHL are monitored through the Council's Internal Audit programme and reported to the Council's Governance and Audit Committee. The Annual Governance Statement last year identified the need to review the company effectiveness, and this was echoed in the Peer Review report. This resulted in two independent reviews of the companies during the 2022/23 year, which were reported to the Council's Governance and Audit Committee.

Colchester City Council also leads two joint (with other local authorities) services:

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

The Council is the lead partner in the Colchester & Ipswich 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. No issues relating to the partnership were highlighted during the Therefore, it is not intended to include any details relating to this service within this statement.

The North Essex Parking Partnership was originally created on 1 April 2011, and the agreement was renewed on 01 April 2022, 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.

### **Internal Audit Opinion**

From the work undertaken in 2022/23, Internal Audit has provided reasonable assurance that the system of internal control that has been in place at the Council for the year ended 31 March 2023 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 2021/22 Statement**

There were three actions included in the Annual Governance Statement for 2021/22:

- Procurement
- External Audit Implications
- Company Governance

The recommendations from the procurement audit in 2021/22 are being implemented and will continue to be monitored through the internal audit process.

The external audit of the 2020/21 accounts has still not been completed. Pressure is still being applied on the auditors to deliver the accounts, but no firm timescale has been received from them. This is not an issue specific to Colchester City Council, and it is liaising with other authorities who are experiencing the same issues.

Following the Local Government Association corporate Peer Review, two specific external reviews of CCHL were undertaken. The reviews have highlighted some issues that have resulted in the creation of an action plan, overseen by senior Colchester City Council officers. Progress is being regularly reported to the Governance and Audit Committee.

It is considered that the actions undertaken in respect of the procurement issue are sufficient to provide assurance that this area does not need to be included in the action plan for 2022/23. However due to the potential impacts relating to the external audit of the accounts and the company governance arrangements, these items should remain on the action plan for 2022/23.

## Conclusion & Significant Governance Issues

Overall, the control arrangements in place during the 2022/23 financial year have been effective and were appropriate. However, the review has identified some areas where actions are required to ensure that the Council 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 2023/24.

No.	Issue	Action
1.	<b>Implementation of the Colchester Borough Homes Independent Review Recommendations</b> Work is already underway on implementing the recommendations that were made in the external report. However, it is appropriate that the review is highlighted on the Annual Governance Statement action plan for 2022/23, to ensure that the momentum of the delivery of the recommendations is maintained.	The result of the independent review will continue to be implemented and monitored, with regular reporting to the Governance and Audit Committee during 2023/24.
	<b>The CIPFA Financial Management Code</b> Colchester City Council is facing extreme pressures from the impacts of the external financial climate. A delay in completing the self-assessment could mean that opportunities to strengthen financial arrangements are miss	Completion of the self-assessment against the code.
2.	<b>External Audit Implications – Carried forward from 2021/22</b> Whilst the Council cannot control the delivery of the external audit of the accounts, The Use of Resources assessment (that provides detail on areas of suggested improvement) for 2020/21 has still not been received. The failure of the External Audit contractor to deliver a timely service in assessing the Council's accounts could potentially mean that a financial governance issue is not resolved, and ultimately may impact on external assessment and partner challenge.	Pressure will continue to be applied on the External Auditors to deliver the reports. This is an issue that is affecting many authorities currently, and the Council will continue to monitor national actions relating to external audit delivery.
3.	<b>Company Governance – Carried forward from 2021/22</b> The Council's holding company, Colchester Commercial (Holdings) Ltd, has now been operating for four years. It is therefore appropriate that the governance arrangements for the company are reviewed to ensure that they are operating as anticipated, in particular financial governance processes. This includes systems in place at the company, including financial management and reporting, as well as board responsibilities and skill set.	The results of the independent reviews of CCHL will continue to be implemented by the 'Shareholder Team', made up of the Interim Managing Director of CCHL and senior council officers, and monitored with regular reporting to the Governance and Audit Committee during 2023/24.

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:**

.....  
 Leader of the Council

.....  
 Chief Executive

on behalf of Colchester City Council