

# COLCHESTER CITY COUNCIL DRAFT ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2024

## 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 current [CCC Local Code of Corporate Governance](#) is available on the council's website.

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 2024 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 Director (shared) – Finance, who is a shared officer with Epping Forest District Council, where they also hold the Section 151 Officer role. The arrangement was in place for the financial year 2023/24 and 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 2023/24. With the implementation of a new management structure in the finance team at the start of the 23/24 year it was recognised that there were some key issues that required prioritisation over the assessment, and it has now been pushed back to the 24/25 year. However the team continue to introduce best practice measures identified in the code and the internal audit review of the key financial controls has not raised any significant concerns.

## **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 was independently assessed and verified in 2022.
- **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.

## **Organisational Structure**

The move from a traditional service area structure to an Organisational Cluster structure was started in 2022/23 with the introduction of the Senior Leadership Board (SLB). Further changes were implemented in 2023/24 with the creation of the Senior Leadership Team (All of the SLB plus Heads of Service), which set out the new Head of Service roles. The Senior Leadership Team continues to include 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 new structure has provided Heads of Service with more autonomy over their service areas, and the services are clustered into related functions. Whilst SLB have an overview of all services there is no direct line reporting from the Heads of Service to a specific SLB member. This has enabled SLB to operate at a more strategic level across the whole organisation, rather than concentrating on specific services. However, when required, members of SLB are taking the lead on specific work streams. The structure is still bedding in but the review has not identified any specific areas of concern that need to be highlighted in this governance statement. This will be reviewed again in 2024/25.

## **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. The peer review in 2022 recommended an independent review of the company and this was carried out in January 2023. The results of this review were reported in last year’s AGS and the recommendations were included in the 2022/23 AGS Action Plan. A detailed update on this action is set out later in this statement, however it is confirmed that actions have been completed, resulting in a more collaborative working relationship between CBH and CCC.

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, during 2023/24 there has been a significant increase in the number of complaints where the Housing Ombudsman has found a fault with CBH. The Monitoring Officer (MO) of CCC issued a formal MO letter to CBH relating to this increase and CBH have responded to this letter with an action plan, which is being monitored via the Council's Shareholder group.

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 AGS in 2021/22 identified the need to review the company effectiveness, and this was echoed in the peer review in 2022. 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. The reviews were reported in last year's AGS and the recommendations were included in the 2022/23 AGS Action Plan. A detailed update on this action is set out later in this statement, however it is confirmed that recommendations have been completed, and two companies - Colchester Amphora Energy Limited and Colchester Amphora Housing Limited, are in the process of being hibernated.

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 2023/24, Internal Audit has provided assurance that Colchester City Council has reasonable and effective risk management, control and governance processes in place for the year ended 31 March 2024. 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 2022/23 Statement**

There were five issues included in the Annual Governance Statement for 2022/23:

- Implementation of the Colchester Borough Homes Independent Review Recommendations
- The CIPFA Financial Management Code
- Review of the Capital Programme
- External Audit Implications
- Company Governance

**Implementation of Colchester Borough Homes recommendations** The Oversight Group agreed at their meeting on 31 August 2023 that all actions in the CBH Independent Review have been completed. This has been reported to the Governance and Audit Committee.

**CIPFA Financial Management Code** The Finance team has continued to introduce good practice measures during the year to ensure that the Council is fully compliant with the code. However, due to pressures within the team the self-assessment has not yet been completed and will be reviewed as soon as possible in 2024/25.

**Review of the Capital Programme** A thorough review of the Council's Capital Programme took place during 2023/24 with the review finalising in February 2024 with the setting of a new budget. This has resulted in reduced borrowing requirements in year which has supported the budget challenges. A new Programme Management Office was created and the asset review has resulted in a change to a Corporate Landlord model of delivery.

**External Audit Implications** The external audits of the Council's accounts since 2021 have 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.

**Company Governance** Following the Peer Review, two specific external reviews of CCHL were undertaken. The reviews resulted in the creation of an action plan, overseen by senior Colchester City Council officers, which was completed in 2023/24. This has led to the establishment of the Shareholder group, which consists of senior CCC officers, the Managing Director of CCHL and the Chief Executive of CBH. The Shareholder group meets on a regular basis to act as the co-ordination between the Council and the companies, review any concerns and set governance requirements, including reviewing reporting to the Governance and Audit Committee.

It is considered that the actions undertaken in respect of the Colchester Borough Homes independent review, the review of the capital programme and company governance are sufficient to provide assurance that these areas do not need to be included in the action plan for 2023/24. However, due to the potential impacts relating to the external audit of the accounts and the CIPFA Financial Management Code review, these items should remain on the action plan for 2023/24.

## Conclusion & Significant Governance Issues

Overall, the control arrangements in place during the 2023/24 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 2024/25.

No.	Issue	Action
1.	<p><b>External Audit Implications – Carried forward from 2022/23</b> Whilst the Council cannot control the delivery of the external audit of the accounts, The Use of Resources assessments (that provide detail on areas of suggested improvement) since 2021 have 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.</p>	<p>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.</p>
2.	<p><b>The CIPFA Financial Management Code – Carried forward from 2022/23</b> Colchester City Council is facing extreme pressures from the impacts of the external financial climate. A delay in completing the assessment could mean that opportunities to strengthen financial arrangements are missed.</p>	<p>Completion of the self-assessment against the code.</p>
3.	<p><b>Monitoring Officer Governance letter to Colchester Borough Homes</b> In 21/22 the Housing Ombudsman (HO) found 2 service failings against CBH, in 22/23 there was 1 finding of maladministration, in 23/24 the HO made 3 service failure, 5 maladministration and 2 severe maladministration findings against CBH. The Monitoring Officer of CCC formally wrote to CBH to request details of their plans to resolve these issues.</p>	<p>The shareholder group has confirmed that CBH have provided assurance that changes have been implemented as a result of these findings. However, it is recommended that performance is monitored during 24/25.</p>
4.	<p><b>Procurement</b> During 23/24 there were two internal audit reviews of procurement processes. These both resulted in a limited assurance rating. One audit was related to CCHL transactions and highlighted issues relating to compliance with contract procedure rules, training and a contract register. The second review highlighted issues with contracts not being in place with some of the suppliers with spends over £50k. This had been raised in the 21/22 audit previously.</p>	<p>Implementation of the recommendations contained in the Internal Audit reviews.</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:**

.....  
Leader of the Council

.....  
Chief Executive

on behalf of Colchester City Council