

Governance and Audit Committee

Item
7

8 September 2020

Report of	Chair of Finance & Audit Committee Colchester Borough Homes / Assistant Director Place & Client Services (CBC)	Author	Julie Parker (CBH) Matthew Armstrong (CBH) Andrew Tyrrell (CBC) ☎ 01206 282390
Title	CBH Annual Governance Statement 2019/20		
Wards affected	All		

1. Executive Summary

- 1.1 The purpose of the report is for the Committee to review, consider and comment on the Governance Assurance Statement of Colchester Borough Homes. As the Council's Arms-Length Management Organisation (ALMO), Colchester Borough Homes (CBH) are responsible for the management and maintenance of the Council's affordable homes (and some transferred general fund services).
- 1.2 There are good governance arrangements in place, in accordance with the Council's formal Management Agreement, and as set out in more detail within the Report and Appendix. Governance between the Council and CBH is monitored through the Council's Client Team on a daily basis. There are regular meetings and a number of other internal reporting and controls in both respective organisations.
- 1.3 Consequently, through internal and external audits, there were no significant governance issues or actions brought forward from 2018/19 and there are no significant new governance issues arising during 2019/20. Overall, there is "substantial" control procedures in place.

2. Recommended Decision(s)

- 2.1 The Committee reviews, considers and comments on the Governance Assurance Statement of Colchester Borough Homes.
- 2.2 The Committee accepts the assurance provided by Colchester Borough Homes regarding its governance arrangements throughout 2019/20.

3. Reason for Recommended Decision

- 3.1 Colchester Borough Homes is a wholly owned company of the Council and an Arm's Length Management Organisation (ALMO). As such its accounts are consolidated into the Council's financial statements and disclosures regarding the adequacy and effectiveness of its governance arrangements are included in the Council's Annual Governance Statement.

- 3.2 Colchester Borough Homes has therefore provided the Council with its own Annual Governance Statement for 2019/20 as evidence of how well its arrangements are operating.
- 3.3 The evidence demonstrates good governance arrangements exist, in accordance with the Council's formal Management Agreement, and as set out in more detail within the Report and Appendix. Consequently, through internal and external audits, there are no significant governance issues or actions arising and there are "substantial" control procedures in place.

4. Alternative Options

- 4.1 Not to accept the findings of the Auditors, the Annual Statement or Report; but there is no evidence to support any concerns being raised.

5. Background Information

- 5.1 As the Council's Arms-Length Management Organisation (ALMO), Colchester Borough Homes (CBH) are responsible for the management and maintenance of the Council's homes and transferred general fund services. A formal Management Agreement sets out roles and responsibilities between the Council and CBH and runs until August 2023, with a planned review currently underway to decide to take up an optional extension for 5 years beyond that.
- 5.2. The Management Agreement clearly sets out the governance arrangements that should apply between the two parties and complies with national best practice. The Council's Client team work closely with CBH to monitor performance and activities continuously through the meetings set out within the Management Agreement. CBH also has its own Board, with company responsibilities.
- 5.3 The Finance and Audit Committee of Colchester Borough Homes also takes the following actions to assure itself that the Company has proper and secure arrangements in place:
- Each year it agrees an audit plan for a three-year period on a risk-based approach
 - It receives regular updates on the progress against this plan throughout the year from Internal Audit
 - It considers and recommends the Annual Governance Statement to the Board
 - It monitors the actions coming out of the Annual Governance Statement
 - It produces the Risk Management Strategy and monitors the key strategic risks of the Company
 - It scrutinises the proposed budget for the Company and monitors the Company's financial performance against budget and 5-year business plan on a quarterly basis

- 5.4 In accordance with company law Colchester Borough Homes has produced its annual statutory accounts for 2019/20 and had these audited by Scrutton Bland, a firm of external auditors. Scrutton Bland have approved these accounts and given a clean audit opinion.
- 5.5 The COVID-19 situation has meant that the audit has been undertaken remotely, and as a result full access to all information that would normally be available on site has not been possible. Alternative procedures have been undertaken where necessary such that we are able to provide an audit opinion on the financial statements.
- 5.6 The External Audit Partner attended the Finance and Audit Committee meeting on the 4th June to report on the audit and take questions from the Committee as they scrutinised the accounts. They also attended full Board on the 1st July to answer any questions from Board members.

Head of Internal Audit Opinion 2019/20

- 5.7 Set out below are some key information from the Internal Audit Opinion Report.
- 5.8 The Audit Plan covered 12 internal audits including all the key financial areas (these were amalgamated into one audit in the year). A separate review of the organisations risk management policy, strategy and framework was also undertaken.
- 5.9 Assurance gradings for the 12 completed projects were as follows:

Assurance Grading	2019/20 Number	2018/19 Number
Full	2	4
Substantial	10	5
Limited	0	0

- 5.10 Overall, there has been little change in the control environment around the key financial systems. Although the percentage of 'full' assurance opinions has technically fallen compared to 2018/19, it should be noted that there were six key financial audits conducted in 2019/20, compared to only five in 2018/19. The audits of Debtors, General Ledger, Housing Rents and Payroll all received the same assurance opinions between years.
- 5.11 Plans have been drawn up to deal with any areas of weakness identified by these audits.
- 5.12 The overall Internal Audit Opinion for 2019/20 is that Substantial Assurance on internal controls within the financial and non-financial systems are in place at CBH in accordance with proper practice.

6. Equality, Diversity and Human Rights implications

- 6.1 The provision of affordable housing aims to help eliminate inequality and discrimination, as well as human rights issues. The management and maintenance of those homes is

also designed to help our most vulnerable residents. Good governance ensures that this is conducted in the most proper, effective and efficient means to maximise the benefits to our communities. The Report and Appendix demonstrate how governance has an overall positive impact on protected groups, and they will have a positive impact on the availability of housing in Colchester, especially the availability of affordable housing.

6.2 The recommendations have due regard to the Council's "Public Sector Duty" and help to create a fairer society, improve housing choice and social mobility (including for protected groups). The work of CBC and CBH will help to improve the housing conditions and life chances of people with protected characteristics, including homeless and/or low-income households, people with disabilities and families on the housing needs register.

6.3 Further Equality Impact Assessment information can be found [here](#)

7. Strategic Plan References

7.1 The following Strategic Plan References are relevant:

Growth: Ensuring all residents benefit from the growth of the borough

- Help make sure Colchester is a welcoming place for all residents and visitors

Wellbeing: Making Colchester an even better place to live and supporting those who need most help

- Encourage belonging, involvement and responsibility in all the borough's communities
- Create new social housing by building Council homes and supporting Registered Providers
- Target support to the most disadvantaged residents and communities

8. Consultation

8.1 There is no direct consultation requirement from this report. CBH and CBC consult residents and tenants on a number of housing issues regularly.

9. Publicity Considerations

9.1 None specific to this report.

10. Financial implications

10.1 There are no specific financial implications for this report; however, good governance ensure that effective and efficient services are provided, and that the arrangement result in value for money.

11. Health, Wellbeing and Community Safety Implications

11.1 There are no specific implications but generally the proposal aims to promote positive health and well-being for our residents. The provision of affordable homes helps generate better living conditions for our most vulnerable residents, improving the quality of life.

12. Health and Safety Implications

12.1 There are no specific concerns related to proposals outlined herein. A reminder is given that health and safety remains a responsibility of the Council even where CBH manage our properties, but that governance controls are in place for this.

13. Risk Management Implications

- 13.1 There are no significant risk management issues that arise from this report and there should be firm reassurance that good governance is in place to manage risks. Failure to operate robust governance arrangements can potentially lead to poor management, performance and services not delivered to standard. It increases the risk that the organisation's strategic objectives will not be delivered.
- 13.2 Reviewing the governance arrangements each year and identifying and addressing the key issues minimises any risks.

14. Environmental and Sustainability Implications

- 14.1 The effective and efficient management of the affordable housing stock, nearly 6,000 homes, includes planned work to develop new properties and acquire new properties. There is also planning underway to improve existing older homes in order to improve the Council overall carbon footprint. The Council properties compare favourably with other Council and have an average rating of C.

15. Appendices

- 15.1 Annual Governance Statement 2019/20