

COLCHESTER CITY COUNCIL DRAFT ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2025

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 conducting a review of the effectiveness of the system of internal control and preparing an annual governance statement.

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 2025 and up to the date of the approval of the annual accounts.

Elements of the Governance 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 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](#)
 - [Resources Protocol](#)
 - [Gifts and Hospitality Guidance](#)
 - [Guide for Members and Co-opted Members on Dispensations](#)
 - [Guidance for Councillors and Officers on Outside Bodies](#)
- **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](#)
 - [A whistle blowing policy](#) for receiving and investigating complaints from the public and staff.
 - [The Chief Finance Officer Protocol](#) that 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 'Position Statement on Audit Committees in 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.**
- **Financial management, including Treasury, practices and policies**

The post of the Section 151 Officer for Colchester City Council was held by the Director (shared) – Finance, who was a shared officer with Epping Forest District Council, where they also hold the Section 151 Officer role, until 31 March 2025. The arrangement was in place for the financial year 2024/25 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 (FM Code) provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the FM Code, authorities will be able to demonstrate their financial sustainability. Driven by various factors, chiefly limited resources in the finance team, a full assessment was not carried out in 2024/25. However, the team has continued 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. Since March this year, the new senior finance team has been working to stabilise the finance function and build capacity, and a full review against the FM Code will be performed during 2025/26.

Process for Review of Effectiveness of the Governance Framework

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 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 issues 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.

Findings From the Review of the Effectiveness of the Governance Framework

The review of the effectiveness of the governance framework identified two internal audit reviews, that were completed during the year, which resulted in limited assurance:

- **Anti-Fraud & Corruption.**
One level 1 recommendation was raised, requiring the council to recruit a fraud officer or procure Counter fraud services to ensure that the fraud and corruption prevention and detection processes are effective and in place across the Council.
- **Review of a Colchester Borough Homes contract.**
One level 1 recommendation was raised requiring the contract manager to query repeated visits to a property for the same repairs, and agree with the contractor processes to eliminate unnecessary repeated visits, costing the Council call out charges.

Areas of challenge that had been experienced during the year were identified during interviews with senior officers, there were repeated themes including:

- Reduced and stretched resources in the finance team.
- Accountability for key spends such as transformation and capital.
- Shared services not delivering the intended results.
- A rapidly changing IT environment, with current systems not able to meet demand.
- Capacity gaps with increasing demands from the Local Government Reorganisation process.
- Management of projects - understanding of revenue and capital items, limited oversight, unclear risks and costs.

A key area of reorganisation during the year was the development of a new Estates Service. This brought together the property functions, for corporate and commercial buildings, that had been split over the city council, CCHL and CBH, into one team within the council. Previously corporate properties were managed by individual services, the new team will manage all of the council's assets, which should ensure that there is a co-ordinated approach to record keeping, inspections, maintenance, repairs and health & safety compliance. The new team formally came into operation on 01 April 2025. The governance review has not highlighted any concerns that need to be highlighted in this statement, but this will be reviewed again in 2025/26 to ensure that the service is meeting its objectives.

A continuing issue from previous governance statements had been the incomplete accounts for several years since 2021. During 2024/25 new External Auditors were appointed, and they have been bringing the final accounts process up to date during the year. As part of this, External Audit have reviewed the Annual Governance Statement for 2023/24 and felt that it did not highlight some significant control deficiencies they identified during the course of their work. A revised Annual Governance Statement was

therefore reported to the Governance & Audit Committee in May 2025. The additional areas of concern that were identified were:

- Finance team capacity
- Counter fraud processes
- Errors in the accounts
- Related party declarations for members partners, spouses and dependant children.

There were also concerns raised regarding potential risks in asset valuations, financial reporting, management overrides, valuation and reconciliation of pension issues and expenditure recognition.

During 2024/25 the Governance and Audit committee was assessed against the CIPFA Position Statement on Audit Committees in Local Government. This identified some areas of improvement including making the roles of the committee, and what capacity the committee is acting in, clear. There were also improvements required in reporting the effectiveness of the work of the committee, and demonstrating a suitable skill base for members. An action plan was agreed by the committee, which was delivered during the year.

Review of Items from 23/24 Statement

Organisational Structure

The governance review for 2023/24 highlighted the change of management style, from traditional service area structure to a Distributed Leadership model, during that year. No particular issues were identified but it was considered appropriate for the structure to be considered further during the review 2024/25, once it had been fully embedded.

The revised structure has provided Heads of Service (HoS) with more autonomy over their service areas, and the services are clustered into related functions. Whilst Senior Leadership Board (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 HoS's have been undertaking team coaching during 2024/25 and during the year the process for reporting and managing issues, such as budget pressures, has been refined, with formal processes put in place for key decision making within the HoS group and escalation to Board, where appropriate. Whilst it has taken a period for the revised management model to embed, there are no significant governance concerns with how it is operating.

Significant Control Issues Highlighted in 23/24

There were four issues highlighted in the 2023/24 Annual Governance Statement for inclusion on the Action Plan for 2024/25:

- External Audit Implications – carried forward from 2022/23.
- The CIPFA Financial Management Code – carried forward from 2022/23.
- Monitoring Officer Governance letter to Colchester Borough Homes
- Procurement

External Audit Implications

With the appointment of KPMG as External Auditors since April 2024, the issues with completion of the council's accounts since 2021 have been resolved and qualified accounts have been issued up until 2023/24. There are still some issues with meeting deadlines for the delivery of the accounts for 2024/25, but the situation is significantly improved, and the matter does not need to be carried forward into the 2025/26 Action Plan.

The CIPFA Financial Management Code – carried forward from 2022/23

Due to the resourcing issues that continued to be experienced in the Finance team in 2024/25 the self-assessment was not completed. A revised Finance management team has been in place since 01 April 2025, and this review will be completed as possible in 2025/26.

Monitoring Officer Governance letter to Colchester Borough Homes

CBH have provided assurance that changes have been implemented as a result of these findings and they are providing regular updates to Governance and Audit Committee, regarding their compliance and delivery of the Regulator of Social Housing's Consumer and Rent Standards, which includes findings of the Housing Ombudsman. The action has been completed, and the matter does not need to be carried forward into the 2025/26 Action Plan.

Procurement

Whilst some of the actions identified in the Annual Governance Statement for 2023/24 have been implemented, a revised Procurement Strategy has not been formally adopted by the council.

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 (hibernated) and
 - Colchester Amphora Housing Limited (hibernated)

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.

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 2022/23 independent review of the CCHL group of companies was considered as part of the Annual Governance Statement for 2023/24 and the only standing issue, the hibernation of Colchester Amphora Energy Limited and Colchester Amphora Housing Limited, was completed in 2024/25.

The Council operates a Shareholder Team, which consists of senior council officers, including the Monitoring Officer and Section 151 Officer along with the Managing Directors of CBH and CCHL. This group meets on a regular basis to review performance, upcoming issues and support the companies with development plans. The activities of both CBH and CCHL are monitored through the Council's Internal Audit programme and are 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.

Head of Internal Audit's Annual Opinion for 2024/25

From the work undertaken in 2024/25, 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 2025. 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.

Conclusion & Significant Governance Issues

Overall, the control arrangements in place during the 2024/25 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. Whilst not all of the findings from the review are considered significant, those that are have been included in the table below and will form the Action Plan for 2025/26. These will be monitored and reviewed via the Internal Audit review process during 2025/26.

No.	Issue	Action
1.	<p>The CIPFA Financial Management Code 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>Carried forward from 2023/24</p>	Completion of the self-assessment against the code.
2.	<p>Procurement 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. The External Audit Value for Money Report for 23/24 also highlighted procurement risks around the tender waiver register.</p>	Implementation of the recommendations contained in the Internal Audit reviews.
3.	<p>Anti-Fraud and Corruption Processes The key issue identified by the internal audit of anti-fraud and corruption was the lack of a dedicated resource to be able to co-ordinate and embed an approach across the council.</p> <p>Identified via the Internal Audit and External Audit processes.</p>	It is recognised that the counter fraud processes for the Council are not effective, as there are limited resources to deliver the service, so an internal audit review was requested to understand the areas of weakness. An action plan is being developed from the recommendations and a business case for additional resource to be made to Senior Leadership Board.
4.	<p>Finance Team Capacity There were some significant concerns raised by the external auditors over the capacity and resources within the Finance Team, which is impacting on the ability of the team to deliver the service. There are currently several vacancies within the team which are being covered by temporary staff, including the Section 151 Officer and Deputy Section 151 Officer.</p> <p>Identified via the External Audit process</p>	During 2023/24 the Finance function was part of a shared arrangement with Epping Forest District Council. The Finance team has been under-resourced for some time. The stance taken at the time was that staff which who left the organisation were not replaced and vacancies held, or they were replaced with part time finance consultancy and support from Epping Forest District Council on an informal basis. This arrangement ended on 31st March 2025. The new Interim Finance Leadership Team in place from March 2025 has focussed strongly on building the capacity and capability of the team; already having recruited to key posts (on an interim basis) to fill critical roles particularly those with respect to the timely preparation of the 2024/25 Accounts. There are also plans to commence permanent recruitment into a number of key roles including Chief Accountant, Head of Corporate Finance and Systems Accountant.

5	<p>Related Party Declarations The external auditors reviewed the declarations of interest received from members for the 2023-24 financial year. Whilst they contained statements from members that they have had no related party transactions during the year, they did not cover the requirement to consider related party transactions of spouse/ spousal equivalents or dependent children in line with the requirements of IAS 24.</p> <p>Identified via the External Audit Process</p>	<p>Complete a review of the related party declarations, alongside the requirements of IAS 24, to ensure that all related party declarations received from members cover these requirements to allow for a full list of related parties to be maintained by the Council</p>
6	<p>Project Management Processes The council operates a project management office (PMO) however across the organisation there is a varying understanding of revenue and capital items, limited oversight, unclear total of cumulated risks and costs across the whole programme. The newly appointed manager of the PMO is working through these items.</p> <p>Identified via the AGS review</p>	<p>Ensure that the councils project management processes are reviewed and relaunched, to ensure that there is a clear understanding of what constitutes a project and there is appropriate reporting and monitoring of project data.</p>
7	<p>Contract Management Processes A whistleblowing report raised concerns with a particular contractor, and a subsequent audit of the contract highlighted potential overpayments of several hundred pounds. The review identified some failures in appropriately managing the contract and highlighted that contract management processes in general across the council were not fully embedded in all areas.</p> <p>Identified via the Internal Audit Process</p>	<p>Contract management guidance and training is rolled out to all contract managers.</p>
8	<p>Timeliness of Financial & Operational Reporting External Audit noted through the review of quarterly budget monitoring reports, there is a significant delay between the end of the quarter and the reporting being received by the Governance & Audit Committee. For the Q4 reporting it was in excess of 160 days before the Committee received the report. In addition, the half year operational performance report presented to the Scrutiny Panel was presented on 12 December 2023 which was almost 3 months post the half year end. These delays prevent timely and informed decisions making in relation to financial and operational performance. In addition any financial improvement regimes cannot be implemented on a timely basis.</p> <p>Identified via the External Audit Process</p>	<p>The quality and timeliness of financial reporting has been poor over the last couple of years. This is in large part due to the capacity issues in item 4. The new Finance Leadership team has set out clear plans to resume monthly reporting to SLB from 2025/26, as well as having a report which is readily understandable. There are also plans to review the existing reporting and timeliness to Governance and Audit Committee (G&AC), whilst ensuring visibility through Leadership Team, en route to G&A. This all forms part of the planned Finance Transformation Programme. For context, delays in performance reporting were as a result of stretched resources over the course of 2024, with existing staff covering the Programme and Performance Manager's responsibilities during their maternity leave. To address this, clear reporting structures have been established and workloads redistributed across the team. In addition, we have worked with Governance to tighten the reporting schedule, with a view to reducing the time lag between end of reporting periods and when reports go through governance, to ensure more timely reporting to members. This will take effect from the 2024/25 Year End Performance Report with the report going to the first Scrutiny Panel in the new financial year (4-Jun)</p>

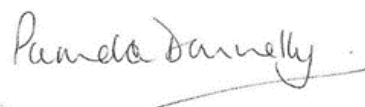
9.	<p>Ineffective oversight of the Council's estate</p> <p>The CIPFA review of the council's estates, which was commissioned by the council in 2023, highlighted that there was a lack of consistency in the governance arrangements for the Council's assets. This was as a result of the assts being split across Colchester City Council, Colchester Borough Homes and Colchester Amphora Homes. The report outlined the need for transformational change in the approach to asset management and the introduction of a corporate landlord model. In addition to the governance arrangements, a report from EY identified 475 budget lines, amounting to £14.6m, which should be centrally managed as part of the Corporate Landlord service. Throughout 2024-25 the Council have developed the creation of the corporate landlord model, however this remains an ongoing process.</p> <p>Identified via the External Audit process</p>	<p>There has been an ambition to create a Corporate Landlord Model since 203/24 and significant strides forward were made during 2024/25 with the engaging an Assets Lead to commence this work. There has been a consolidation of numerous budget lines into a Corporate Landlord budget with effect from 1 April 2025, when the new Corporate Landlord Model went live. There have been steps taken to address resourcing requirements, for example with short term support identified to determine options for resolving issues with the Northern Gateway project. During 2025/26 there will be further transformational activity aimed at reviewing asset management practices across the group and developing estates and asset management strategies.</p>
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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 City Council