

COLCHESTER CITY COUNCIL DRAFT ANNUAL GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2026

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 2026 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 Section 151 Officer for Colchester City Council is held by the Interim Chief Finance Officer, appointed in March 2025. The arrangement was in place for the whole of the financial year 2025/26 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 against the code was not possible in 2025/26. 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. It is anticipated that a permanent Chief Finance Officer (S151) will be appointed early in the 2026/27 financial year and they will undertake the review during the year.

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 Finance 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.

Findings From the Review of the Effectiveness of the Governance Framework

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

- **Leisure World**
One level 1 recommendation was raised, relating to the completion of mandatory Safeguarding training. Plus, one level 2 and two level 3 recommendations relating to provision of information from commercial hires and reconciliation of minor income differences.
- **Network resilience**
Two level 1 recommendations were raised. Due to potential general cyber risks, the details of the recommendations are subject to confidentiality.
- **Data protection & GDPR**
Two level 1 recommendations were raised relating to the use of personal devices and resource requirements for data protection management and compliance.
- **Markets**
One level 1 recommendation relating to the completion of historical applications, and further recommendations relating to reconciliations.

Whilst the Network Resilience and Data Protection Audits had some very significant findings, the results of the audits were immediately responded to by the Service Director - Digital, Data and Technology. A working group was created for each audit area, and the recommendations have been tracked and reported. Due to the level of work that has been undertaken to resolve the issues it is not proposed to include these items in the Action plan for 2026/27, but they will be monitored via the Internal Audit review process.

With regards to the Leisure World Audit, the Council also received an Ofsted non-compliance letter in November 2025 for the 'Kid's Camp'. This stated that the requirements for registration on the childcare register were not being complied with and required training for all staff, sharing policies with parents and improving leaders awareness of serious incident notification to Ofsted. The service has currently paused providing holiday activities for children in this way but due to the nature of the concerns and the outcome of the Internal Audit, the safeguarding training is being included on the Action Plan for 2026/27.

The recommendation from the market audit has been responded to and there was no material loss as a result of the control issues highlighted. Therefore, this issue will be monitored through the Internal Audit process.

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

- **Capacity and organisational resilience:** Sustained workload pressures, LGR demands and recruitment challenges.
- **Governance and decision-making:** Potential inconsistencies in decision-making, challenge and oversight.
- **Political and cultural environment:** Increasing political complexity, member behaviours and potential instability.
- **Risk management and assurance:** Assurance frameworks can be inconsistent, with risks not always visible until issues arise.
- **Financial sustainability and workforce:** Ongoing financial pressures, reliance on interim roles and market competitiveness issues (including pay)

- **Partnerships and system working:** Complex partnership arrangements and changing external structures (including health and LGR).
- **Programme delivery and change:** Major programmes and capital projects face risks from complexity, stakeholder alignment, cost pressures and capacity.
- **Digital and infrastructure:** Digital capability, user adoption and ICT/member tensions.

A key area of internal reorganisation noted in the 2024/25 AGS, was the development of the new Estates Service, which came into operation on 01 April 2025, with the service managing all of the council's assets, to provide a co-ordinated approach to record keeping, inspections, maintenance, repairs and health & safety compliance. The service still has some areas to fully embed but the governance review has not highlighted any concerns that need to be included in this statement, and the service will continue to be monitored via the Internal Audit process.

A continuing issue in previous governance statements had been the incomplete accounts for several years since 2021, resulting in disclaimed Accounts. During 2024/25 new External Auditors were appointed, and those accounts were provided to the Auditors by the regulatory back stop date with progress made on audit matters in comparison to 2023/24. The auditors have however been highlighting control issues in their Value For Money assessments including:

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

These were included in the revised AGS for 2024/25, and the action plan for 2025/26, with current updates detailed in the next section.

The Council is continuing to track the progress against the issues raised by the Auditors for 2024/25 in the current financial year, and it is felt that the following areas should be included on the Action Plan for 2026/27, to ensure that there is sufficient reassurance that they are being properly controlled:

- **Northern Gateway Risk Reporting**
External Audit consider that the issues around Northern gateway should be included on the Council's strategic risk register, and this ties in with an Internal Audit review that was carried out at the beginning of 2026/27.
- **Finance System**
External Audit identified that in the past there has been an absence of business ownership for the Finance application, resulting in the IT team unable to implement controls that necessitate business support and oversight. This was exacerbated by the system also having reached the end of its useful life with no upgrade option. This issue is currently being addressed as a matter of urgency and full options appraisal being developed

This is subject to any concerns that the Auditors raise during the review of the 2025/26 accounts, which, if necessary, will be included in an updated version of this statement later in the 2026/27 financial year.

The Council experienced a fraud during 2025/26 when a counterfeit invoice was processed for payment. The payment was in excess of £30k. The review of the incident showed that an interim member of staff, who had significant authority, had authorised the payment. There is no suggestion that any member of staff was involved in the fraud and the payment was made due to the 'time pressure' that was implied in the fraudulent invoice, alongside the impersonation of the Chief Executive's 'approval'. The fraud was reported to Action Fraud, who decided there was insufficient evidence to pursue it further.

During 2024/25 the Governance and Audit committee was fundamentally 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 2024/25. The CIPFA requirements have continued to be embedded during 2025/26 and it is considered that the Governance and Audit committee complies with the CIPFA Position Statement on Audit Committees in Local Government.

The significant control issues found during the review are highlighted in the table at the end of the statement.

Review of Significant Control Issues Highlighted in the 2024/25 Statement

There were nine issues highlighted in the 2024/25 Annual Governance Statement for inclusion on the Action Plan for 2025/26:

- The CIPFA Financial Management Code – carried forward from 2023/24.
- Procurement
- Anti-Fraud & Corruption processes
- Finance Team Capacity
- Related Party Declarations
- Project Management processes
- Contract management Processes
- Timeliness of Financial & Operational Reporting
- Ineffective oversight of the Council's estate

The CIPFA Financial Management Code – carried forward from 2024/25

Due to the resourcing issues that continued to be experienced in the Finance team in 2025/26 the self-assessment was not completed. The final appointments to the revised Finance management team will be made shortly, and this review will be completed as soon as possible in 2026/27. This will be carried forward to the action plan for 2026/27.

Procurement

A further internal audit was completed in 2025/26 which has resulted in a reasonable assurance rating. A significant amount of work has been undertaken to improve procurement processes and compliance across the organisation. There was one priority 2 recommendation relating to the quotes process for spend over £10k (but under procurement threshold) for which changes had already been implemented in April 25. There were two priority 3 recommendations, one relating to fraud risk which will be picked up through a corporate approach, and one website update. Therefore, this issue has been closed.

Anti-Fraud and Corruption Processes

The business case for additional resources was approved, and recruitment is taking place for additional resources. The action plan is being reviewed but is not fully implemented at the time of this review. Therefore, this item will be carried forward to the 2026/27 Action plan.

Finance Team Capacity

The capacity of the team has improved during 2025/26, and most of the interim posts (except for two) have now been permanently recruited too. The permanent Chief Finance Officer (S151) recruitment is underway, with an appointment likely in early 2026/27. It is anticipated that this will collectively largely resolve the capacity issues, and this item will not be included on the 2026/27 action plan, however it will be kept under review. If interim capacity is required it will likely be to support the LGR process as this is on top of BAU requirements.

Related Party Declarations

The procedure for the completion of Third Party Declarations has been revised and from the 2026/27 financial year is compliant with the requirement to consider related party transactions of spouse/ spousal equivalents or dependent children in line with the requirements of IAS 24. Therefore, this issue has been closed.

Project Management processes

Work is on-going with the Project Management Office review, and it is anticipated that this will be fully operational later in 2026/28. To ensure that this issue monitored it will be carried forward to the 2026/27 Action plan.

Contract management Processes

General procurement & purchasing training has been rolled out throughout 2025/26 and contract management guidance is due to be issued in 2026/27. Therefore, this matter will not be included in the 2026/27 Action Plan, but will be monitored via the Internal Audit programme to ensure that the actions are embedded.

Timeliness of Financial & Operational Reporting

The Senior Leadership Board and Leadership Team (Cabinet) have received monthly financial reports for 2025/26 which set out in significant detail the financial position and monthly variances. Detailed and enhanced quarterly financial reports are provided to Governance & Audit Committee. All monthly and quarterly reports are provided in much more timely fashion than in previous years. Therefore, this issue is now closed.

Ineffective oversight of the Council's estate

The Corporate Landlord Model went live on 01 April 2025. 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 has been further transformational activity reviewing asset management practices across the group and developing estates and asset management strategies. This matter will now be monitored via the Internal Audit process to ensure that it is delivering the anticipated benefits.

Effectiveness of Other Organisations

During 2025/26 the Council owned 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 produce their own annual governance review and no significant control weaknesses during the year, that need to be included in this statement, have been notified to the Council.

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 Director of 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 year. 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 Colchester City 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 2025/26

From the work undertaken in 2025/26, 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 2026. 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 2025/26 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 2026/27. These will be monitored and reviewed via the Internal Audit review process during 2026/27.

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 2024/25</p>	Completion of the self-assessment against the code.
2	<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. In 2025/26 the Council did experience a fraud, and whilst, due to the nature of the fraud, the counter fraud resources would probably not have prevented it, it did highlight the need for additional training and awareness programmes.</p> <p>Carried forward from 2024/25</p>	Embed the recommendations of the Internal Audit Report and complete the recruitment process. One post has been recruited to, and a second one is to be advertised by 31 August 26

3.	<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 PMO is working through these items.</p> <p>Carried forward from 2024/25</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>
4.	<p>Leisure World Significant issues were raised during the Internal Audit process relating to safeguarding training, as well as the receipt of a non-compliance letter from Ofsted referencing staff training and sharing of policies. Therefore, this matter is considered a significant governance issue.</p> <p>Identified via the Internal Audit Process</p>	<p>The recommendations from the Internal Audit report and learnings from the Ofsted report are to be embedded in the Sport & Leisure Service.</p>
5	<p>Northern Gateway Risk Reporting External Audit consider that the issues around Northern gateway should be included on the Council's strategic risk register, and this ties in with an Internal Audit review that was carried out at the beginning of 2026/27.</p> <p>Identified via External Audit review</p>	<p>Addition of the risk to the Strategic risk register, and regular risk monitoring and reporting to Board and Members.</p>
6	<p>Finance System External Audit identified there is an absence of business ownership for the Finance application, resulting in the IT team unable to implement controls that necessitate business support and oversight. The system has also reached the end of its life and there is no upgrade option.</p> <p>Identified via External Audit review</p>	<p>Delivery of a joint options appraisal with the North East Essex partner councils with a view to a recommended approach being presented to each partner over the summer, with implementation to commence in the autumn.</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:

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Leader of the Council

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Chief Executive

on behalf of Colchester City Council