

# Covering Note

This is a covering introduction for the Annual Governance Statement 2020/2021 (AGS), recognising the revised timetable for concluding the accompanying Statement of Accountants.

The Chartered Institute of Public Finance and Accountancy (CIPFA), in conjunction with the Society of Local Authority Chief Executives (SOLACE), have produced a framework for delivering good governance in local government. The framework guidance “Delivering Good Governance in Local Government Framework 2016” is used as a guide in compiling the AGS. Arrangements for compiling the AGS were coordinated through the Internal Audit team, with input from key stakeholders and management.

The current status of this document is draft. It is unaudited and may be updated and amended.

The draft AGS has been published as required by relevant legislation: <http://www.legislation.gov.uk/ukxi/2015/234/regulation/15/made>. It has been prepared in accordance with regulation 6(1)(b). As a draft document the statement has not yet been approved in accordance with regulation 6(2)(b), and the final version will be approved by the Audit & Corporate Governance Committee in advance of the Statement of Accounts.

The AGS should reflect events in the relevant financial year, plus up to when the Accounts are approved by Committee. The document and action plan will continue to be developed during this period. The Covid-19 events in particular has had a significant effect on Councils since March 2020. Consequently, it is appropriate to reflect this in the AGS, and further updates may need to be included as guidance is issued from professional bodies and Central Government.

As the final version of the 2019/2020 AGS was approved as part of the statement of Accounts in January 2023, and reflects governance issues up to the data of approval it is important to note:

1. It is good practice to include an action plan which demonstrates how the Council is improving its governance arrangements; and this has not significantly changed;
2. Due to the time needed to approve the Statement of Accounts it is possible that further amendments may be required following consultation and review by the externally appointed auditors;

Despite the short period between both the AGS 2019/2020 and AGS 2020/2021 being produced, this still provides an opportunity for the Council to document what has happened in the 2020/2021 financial year, through the Review of Effectiveness.

An updated version of the Annual Governance Statement will be presented to the Committee with the Statement of Accounts.

The final version of the AGS, will accompany the Statement of Accounts for approval by the Committee, as required by the Accounts and Audit Regulations 2015.

# Annual Governance Statement



## Introduction and purpose

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The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that it also provides value for money. It has to effectively manage its risks and put in place proper arrangements for the governance of its affairs.

### Definition of Corporate Governance

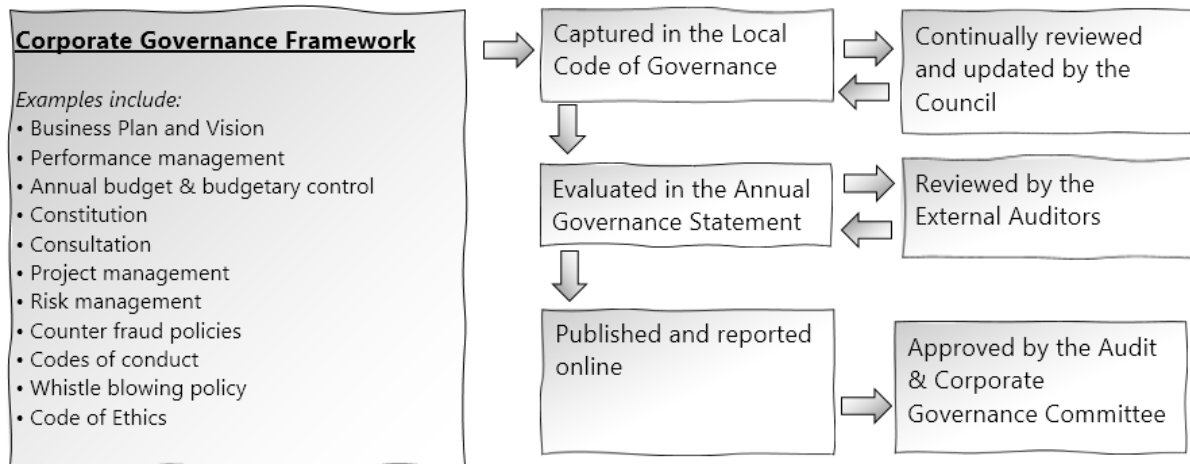
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

Good governance in the public sector means: "*achieving the intended outcomes while acting in the public interest at all times*"

## The Governance Framework

Our governance framework comprises the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes.

The Council has a robust process for reviewing and updating the governance framework.



The governance framework for the 2020/2021 financial year supports the Council aims and objectives, which are published on [our website](#)<sup>1</sup>. The Vision was “Putting the heart into South Cambridgeshire” by:

- Helping businesses to grow;
- Building homes that are truly affordable to live in;
- Being green to our core;
- Putting our customers at the centre of everything we do.

The is supported by our [Business Plan](#)<sup>2</sup> which sets out four Priority Areas with specific and measurable actions.

Performance against the [Business Plan](#), is published in the [Performance Page](#) of our website.

The governance framework has been in place at the Council for the year ended 31 March 2021, and up to the date of approval of the statement of accounts.

<sup>1</sup> <https://www.scams.gov.uk/your-council-and-democracy/performance-and-plans/>

<sup>2</sup> <https://www.scams.gov.uk/your-council-and-democracy/performance-and-plans/council-plans-and-reports/our-business-plan/>

## Local Code of Governance

We are responsible for ensuring that there is a sound system of governance which incorporates the system of internal control.

This Governance Framework is recorded in our [Local Code of Governance](#), which is underpinned by the 7 principles of good governance as set out in the CIPFA / SOLACE publication 'Delivering Good Governance in Local Government Framework 2016'. The principles are:

- A. behaving with integrity and in accordance with our core values
- B. being open and ensuring effective engagement takes place
- C. working together to achieve our intended outcomes
- D. setting goals for economic, social and environmental benefits and reaching them
- E. growing our capacity - including our leadership and the people who work with us
- F. managing risks and performance through robust internal control and strong financial management
- G. Implementing good practice in transparency, reporting and audit – delivering effective accountability



## Role and responsibilities

All of the Council is responsible for developing and complying with its Local Code of Governance. There are a variety of governance structures, and some of the key roles include:

Governance structures	Roles and responsibilities
Council	Council agrees the budget and policy framework, such as the Corporate Plan, Medium Term Financial Strategy. Further details are published on our <a href="#">website</a> .
Cabinet	This is the Council's principal decision making body charged with implementing the budget and policy framework agreed by Council. Further details are published on our <a href="#">website</a> .
Leadership Team	The management team structure includes a strategic Leadership Team and is supported by an operational Corporate Management Team. Both teams consider policy formulation and future planning.
Audit and Corporate Governance Committee	<p>The Audit and Corporate Governance Committee also plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done. It provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability.</p> <p>The Committee exists to challenge the way things are being done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the governance, risk and control environment. Meetings details and minutes are <a href="#">published on the website</a>.</p>
Civic Affairs Committee	This committee reviews the Council's Constitution, including proposals for substantive changes for consideration by the Council. It also considers changes to electoral arrangements, setting ethical standards and monitoring the Councils Code of Conduct. Further details are published on our <a href="#">website</a> .
Scrutiny and Overview committee	It monitors the performance of the Leader and Cabinet and scrutinises services and policies throughout the district, whether or not South Cambridgeshire District Council provides them, and makes recommendations for improvement. Further details are published on our <a href="#">website</a> .

## Purpose of the Annual Governance Statement

The Council conducts a review of its system of internal control, prepares and publishes an Annual Governance Statement (AGS) in each financial year.

This enables us to demonstrate whether, and to what extent, the Council complied with its Local Code of Governance.

The Local Code of Governance is updated regularly. This process records our good practice, and also helps us to plan further action which can improve our governance arrangements.

## **Statutory compliance**

Producing the Annual Governance Statement helps the Council meet the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015. It is reviewed by the Civic Affairs Committee and approved in advance of the Statement of Accounts.

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. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

The Council's financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

## Other review and assurance mechanisms

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Management activities contribute to the continuous review of the Local Code of Governance, and also inform the Annual Governance Statement. In addition, assurance can be provided from other sources, as detailed below:

### Head of Internal Audit Opinion

The Head of Internal Audit provides an independent opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and the extent to which the Council can rely on it. This has been considered in the development of the Annual Governance Statement.

The audit opinion was regularly communicated to the [Audit & Corporate Governance Committee](#) throughout 2020/2021. The reports outlined the key findings of the internal audit work undertaken during the year, including any areas of significant weakness in the internal control environment.

From the audit reviews undertaken, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and reported to Audit and Corporate Governance Committee.

It is the opinion of the Head of Internal Audit that, taking into account all available evidence, reasonable assurance may be awarded over the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2020/2021, and this remains at a similar level to the previous year.

### Partnership Assurance

The Council has services which are delivered in partnership with other Councils. Where other Councils are the lead authority, they will provide assurance back to Cambridge City Council that controls are effective, and where there is opportunity for improvement. This includes Legal Services, plus Information and Communications Technology.

### External Reviews

The Trade Waste function of the Shared Waste Services received positive assurance from their Internal audit reviews and maintained their accreditation with the ISO9001 (Quality Management) and ISO14001 (Environmental Management) standards following external inspections.

The Local Government and Social Care Ombudsman resolve complaints in the public sector and provides annual statistic on performance. No public interest reports were published.

### External Audit

Ernst & Young (now EY) are the appointed external auditor. Their results report (ISA260) for 2019/2020 was presented to the Audit & Corporate Governance committee ???.



EY issued an “unqualified” audit opinion on the financial statements which [provided assurance for the 2018/2019 Statement of Accounts](#). They issued an “except for qualified” value for money conclusion in respect of the Authority’s proper arrangements to make informed decisions as a result of having reliable and timely financial reporting. This was because it was the fourth consecutive year that the Authority has been unable to prepare and publish its accounts by the dates outlined in the Accounts and Audit Regulations 2014. The 2019/2020 accounts were concluded in January 2023. This ongoing challenge is reflected in our Opportunities for Improvement.

### **Public Services Network**

The Council completed the Cabinet Office compliance verification process for the Public Services Network Code of Connection (PSN), and a certificate was issued. This demonstrated that the information technology infrastructure was sufficiently secure to connect to the PSN.

### **The Financial Management Code**

Strong financial management is an essential part of ensuring public sector finances are sustainable, and CIPFA launched a Financial Management Code to support this. A key goal of the code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The code incorporates existing requirements on local government to give a comprehensive picture of financial management in the Council.

Councils are required to be compliant with the code from the 2021/2022 financial year, and we must demonstrate that the requirements of the code are being satisfied.

An independent Internal Audit review of the Financial Management Standards (FMS) contained within the code has already been completed, to provide assurance and develop any actions needed to achieve compliance.



## Impact of Coronavirus

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The pandemic Covid-19 had the potential to significantly impact the governance risk and control environment. Immediate threats included the Council's decision-making processes, risk management, and the overall capacity and capability of the Council. In the longer term it was also appropriate to consider the impact on our outcomes, financial and organisational resilience, stakeholder engagement and accountability.

The AGS considers the effectiveness of our Code of Governance, both during the financial year plus significant issues up to the time it is approved, and it is appropriate to recognise the longer-term impact of Covid-19 pandemic.

In response to the pandemic the Council implemented various measures through its business continuity framework, with continuous risk management in this period. Examples included formation of task force, risk management, prioritisation of services, flexible working policies, and regular communication within the Council and the community. The relatively recent adoption of Council Anywhere technology helped the Council to continue working from remote locations and maintain service delivery. This has helped us to maintain our governance arrangements, and further specific reference due to the impact of Covid-19 are included below where it helps to communicate the impact.

It was an exceptional year and our [Covid Response](#) highlighted how our council services adapted to the restrictions imposed by the government in response to the global coronavirus pandemic, seeking new ways of working – including with communities and partners - to deliver the services that are important to local people and to respond to the challenges of Covid-19.

The pandemic has also illustrated how important 'good governance' has been to enable and sustain a whole system response. It has highlighted the systemic risks beyond the Councils control that can have a significant impact on achieving intended outcomes for the residents of South Cambridgeshire. This includes, for example, our ability to sustain partnerships, joined up delivery of services and multi-agency co-ordination mechanisms with police, fire, NHS, and other local authorities, where they are under significant strain, or under-resourced, or take a different approach to managing risk, accountability and transparency.

## Progress from the last Annual Governance Statement

The Council prepared an [Annual Governance Statement for 2019/2020](#) which was approved by the Audit & Corporate Governance Committee. An update on the previous action plans are included below:

Action	Update and status
Review of anti-fraud and corruption policies	<p>The Council completes a continuous review of its counter fraud arrangements based on good practice.</p> <p>The policies were reviewed and approved by the Audit &amp; Corporate Governance Committee in March 2022. The Whistleblowing Policy was approved in September 2022.</p>
Capacity for decision making	<p>We responded to external factors such as Covid-19 and Brexit. We reprioritised our resources to focus on the critical activities, and this helped us to deliver resources where it was needed most. Consequently, some activities which contribute to our governance arrangements, such as decision making, service plan reviews, and Member Elections were deferred to a later date. We worked with partners, through the local resilience forum, to manage the wider community impacts.</p> <p>The Councils Forward-Plan of work is regularly reviewed to ensure our activities are prioritised according to need, and this enables us to respond to emerging and unplanned events. We will continue engage with our stakeholders to ensure they are informed of any changes, and planned activities will be delivered at the earliest opportunity.</p>
Resources	<p>Unplanned events such as Covid-19 have the potential to drive significant budgetary constraints, with reduced income from commercial activities, fees and charges, plus potential increases to our expenditure and costs. This is in addition to existing uncertainty from known risks such as Business Rates Retention, delayed confirmation of the Fair Funding Review and the uncertainty of Brexit.</p> <p>The Council delivered an updated Medium-Term Financial Strategy and commenced work on Financial Resilience to support the Financial Management Code.</p> <p>The Council will continue to prepare for these risks, and respond to any further pressures, by updating our financial modelling, consulting with stakeholders, and developing new policies and procedures. The Council maintains a Business Plan and ongoing revisions will recognise these pressures to help manage our financial resilience and stability.</p>

Action	Update and status
Financial reporting	<p>The Council completes Statement of Accounts, to report the financial position of the Council.</p> <p>This continuing risk of completing, auditing and approving Statement of Accounts to statutory deadlines has been recognised nationally across the Public Sector. Revised legislation was issued in response, temporarily extending the deadline for Councils, and there is now a staggered program of external audits.</p> <p>The 2018/2019 Statement of Accounts were audited and approved in April 2022. This was after the statutory deadline, due to various factors such as resource issues and the Covid-19 pandemic. Consequently, EY issued a “qualified” value for money conclusion in respect of the Authority’s proper arrangements to make informed decisions as a result of having reliable and timely financial reporting.</p> <p>The 2019/2020 accounts have been drafted and are expected to be concluded in January 2023.</p> <p>We will continue to work with EY on concluding the 2019/2020 and 2020/2021 accounts as quickly as possible and will continue to keep the Audit &amp; Corporate Governance committee informed on the progress.</p> <p>A timetable is in place to get the accounts up to date by the spring of 2023. This is a challenging timetable that will require commitment from both the Council and the appointed auditors and close management of the process will be required, and continues to be recognised in our action plan for improvement.</p>

## Review of effectiveness

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The Council has several policies and procedures which are recorded in its [Local Code of Governance](#). These are mapped to the seven principles of good governance. The Council has a positive risk appetite and the governance framework is designed to manage risk to an acceptable level. It provides a reasonable level of assurance, as it is not possible to eliminate all risks which may impact the achievement of its vision, policies, aims and objectives.

The effectiveness of the key elements of the governance framework is reviewed throughout the year. This activity is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates.

The [Performance Page](#) on the Council's website sets out details of how the examples below have contributed to the delivery of quality services and the Council's Corporate Plan objectives.

The Council is involved in partnership working and has group relationships with other entities. It is the sole owner of Ermine Street Housing, a contributor and partner to the Greater Cambridge Partnership. Additionally, the Council owns a dedicated leasing company Shire Homes which looks to house vulnerable adults and families into short term let accommodation. The Council is looking to partner with Hill the developer as part of its investment management strategy. The Council also actively takes part in the support of community housing groups resident associations and advisory panels including the Northstowe Community Networkers Group, the Planning Committee Development Group, the Event Safety Advisory Group, the Tenant Working Groups and Relationship Breakdown and Housing Support Group. Activities of the groups are also reflected in our review of effectiveness where these have a significant impact on our governance arrangements.

The 2020/2021 Statement of Accounts was not concluded by the statutory deadline, due to the delay in the previous 2019/2020 Statement of Accounts, and the Annual Governance Statement must be approved in advance of the Statement of Accounts.

As good practice the Council is also reporting items up to the date that the Statement of Accounts is concluded, and these are also reported separately for clarity. As they relate to the next financial year, they may also feature in the next AGS too.

Ongoing good practice is recorded in the Local Code of Governance. The review concludes that the Council has complied with its Code. Additional examples of good practice, emerging controls, and governance issues from the last twelve months, considered when completing the review are recorded below, and may be incorporated into the next revision of the Code where appropriate:

Principle	Review of effectiveness
<p>A Behave: integrity, ethical values, respect rule of law</p>	<ul style="list-style-type: none"> <li>• We worked closely with Public Health colleagues to coordinate and support the wider county' public health response to the pandemic, including sharing local community intelligence to help contain outbreaks and reduce community transmission of the virus. We used our website to signpost to national guidance, policy and advice on Health and Safety.</li> <li>• Cabinet approved recommendations from the Scrutiny and Overview Committee Anti-Racism Task and Finish Group.</li> <li>• Council agreed to adopt the revised Constitution, Ethical Handbook, Public Speaking Scheme and Petitions Scheme which had been recommended by the Constitution Review Task and Finish Group. The Constitution was modernised to reflect best practice and included a new glossary of common terms to make it easier to read.</li> </ul>
<p>B Openness &amp; stakeholder engagement</p>	<ul style="list-style-type: none"> <li>• We maintained openness through access to meetings, information and online support. The Cabinet held its first virtual meeting, maintaining governance during the pandemic.</li> <li>• We actively communicated with residents throughout the Covid-19 pandemic. This included using the website to signpost people to where they could get help, keeping them updated on changes to services, and financial support for businesses and residents.</li> <li>• Cabinet approved the draft Community Assets Transfer Policy, attached at Appendix A to the report from the Chief Executive, as the basis for considering requests for the transfer of community assets to relevant community-based organisations.</li> <li>• The Council maintains a <a href="#">webpage for consultations</a>. During the year we engaged stakeholders by consulting on the Greater Cambridge Local Plan, the Resident Involvement Strategy 2020-2023</li> <li>• Cabinet approved the introduction of five additional liaison meetings to support good engagement and active methods of community integration.</li> </ul>

Principle	Review of effectiveness
<p>C Defining outcomes - economic, social, environmental</p>	<ul style="list-style-type: none"> <li>• Cabinet agreed to adopt the updated Local Development Scheme for Greater Cambridge</li> <li>• Cabinet adopted the Doubling Nature Strategy, which set out in high-level terms the Council's approach to doubling nature in South Cambridgeshire; a vision initially agreed by the Council in July 2019. The Leader outlined how the Council would use its widening spheres of influence, on its own estate, through policies and through wider influence in partnerships and communities to achieve more wildlife-rich habitats, increased tree canopy cover and better accessibility to green spaces.</li> <li>• Council approved the revised terms of reference of the Climate and Environment Advisory Committee, to reflect recent developments including the climate emergency, resolving to transition to zero carbon by 2050; adopting "Being green to our core" as a corporate priority and developing the Zero Carbon Action Plan 2019-24. Council also adopted a <a href="#">Zero Carbon Strategy</a> which provides an outline of the approach the Council is taking to supporting the transition to net zero carbon emissions by 2050.</li> </ul>
<p>D Determine interventions to achieve outcomes</p>	<ul style="list-style-type: none"> <li>• In response to the Covid-19 pandemic we took swift action to help support the public and provided regular updates on our website. We also provided support to businesses by providing information, and financial assistance through the distribution of national and local business support grants.</li> <li>• Cabinet approved the Health &amp; Wellbeing Strategy and Action Plan, noting its importance with post Covid-19 recovery of the District.</li> <li>• Cabinet approved recommendations from the Scrutiny and Overview Committee Covid-19 Response Task and Finish Group, to celebrate the success of the community response and ensure adequate resource is allocated for community recovery.</li> <li>• The Leader informed Council on our <a href="#">response to pandemic</a>, to support the community, businesses, employees and members, and this was summarised in the <a href="#">Covid Response</a> document. We worked with colleagues from the Greater Cambridge Partnership (GCP) and Cambridge City Council to enable us to respond quickly to the issues affecting businesses.</li> </ul>

Principle	Review of effectiveness
<p>E Develop capacity and capability of entity</p>	<ul style="list-style-type: none"> <li>• The pandemic challenged our capacity, consequently postponing elections, democratic meetings, and employees were not able to attend the workplace. Digital enabling technology enabled the Council to adapt and respond with different ways of working, and the Council resolved to approve the Standing Order for running remote meetings online throughout the year.</li> <li>• The County Council resolved to withdraw from the Joint Development Control Committee (JDCC), and consequently the JDCC would not be quorate. The Civic Affairs Committee recommended the creation of a new joint planning committee between Cambridge City Council and South Cambridgeshire District Council, and the Standing Orders and Scheme of delegation were subsequently approved by Council.</li> <li>• The Council approved the appointment to the new post of Chief Operating Officer, which is a key role in working with elected members, the Chief Executive and senior management to shape and deliver the Business Plan priorities for this Council.</li> <li>• The Council appointed the independent remuneration panel members to advise on allowances, and independent and deputy independent persons to advise on complaints and the Code of Conduct.</li> </ul>
<p>F Manage risk &amp; performance, internal control, finance</p>	<ul style="list-style-type: none"> <li>• The Audit &amp; Corporate Governance Committee approved the Treasury Management Annual Report 2019/2020 and the Mid-Year 2020/2021 report.</li> <li>• The Capital Programme was rephased due to the Covid-19 pandemic and change to the Public Works Loan Board rules, and Council approved the revised programme.</li> <li>• The Audit &amp; Corporate Governance Committee received updates on the outcome of the Redmond Review and reports from the Financial Reporting Council, its recommendations for the public sector, and the work of external audit.</li> <li>• The Council maintains a Risk Management framework, which considers both risk and opportunity. We also considered risks in response to Covid-19 to help manage the impact with timely and proportionate mitigation, plus Brexit as part of our Contingency Planning.</li> <li>• There was a period of unplanned ICT outage during the year which impacted service delivery. Continuity and resilience plans were used to prioritise our services, and our customers were kept informed during our recovery process. Our software deployment protocols have been updated to reduce the likelihood of this risk reoccurring. The 3CICT service have agreed action plans to improve and develop controls identified as part of audit reviews.</li> </ul>



Principle	Review of effectiveness
<p>G Transparency, reporting, audit, accountability</p>	<ul style="list-style-type: none"> <li>• The Audit and Corporate Governance Committee approved the Final Statement of Accounts for 2018/2019. The Statement of Accounts for 2019/2020 were approved in January 2023. The ongoing challenge is recognised in our new action plan for improvement.</li> <li>• A limited assurance report was issued at South Cambridgeshire District Council for <a href="#">Planning Performance</a>, in April 2021, and an action plan has been developed for improvement. A further <a href="#">follow-up review</a> in November 2021 provided reasonable assurance as the Council had made satisfactory progress at implementing the action plan.</li> <li>• Cabinet received the Business Plan for 2021-2022. The accompanying <a href="#">Action Plan</a> includes actions and achievements which were completed during the year.</li> </ul>

## Opportunities for Improvement

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The governance arrangements continue to be regarded as fit for purpose in accordance with our framework and this is recognised in our conclusion below.

The review process has helped us to identify some opportunities to improve the governance arrangements over the next twelve months. Some of these may feature in previous statements where the work is continuous and ongoing. They consider both historic governance issues that have arisen during the 2020/2021 financial year and up to the date the Statement of Accounts are approved, and we also look ahead for potential issues from our risk management process, corporate plans and strategies. These focus on the following themes, which are developed into detailed action plans for improvement across our governance framework:

Governance Theme
Managing our recovery and resilience
Transformation, resources and risk management
Maintaining financial resilience and compliance
Minimising the fraud and error risks
Maintaining good ethical governance
Constitution
Proactively preparing for emerging legislative change

## **Conclusion and opinion**

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The Council has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders.

No significant governance issues were identified from our review of effectiveness. We have identified opportunities for improvement, and these are included in our Action Plan above.

We are satisfied that the planned actions will improve our governance arrangements, identified from our review of effectiveness. We will monitor their implementation and operation throughout the year and report their progress as part of our next annual review.