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8 May 2024

To: Chair – Councillor Michael Atkins  
Vice-Chair – Councillor Peter Sandford  
Members of the Audit and Corporate Governance Committee –  
Councillors Graham Cone, Geoff Harvey, Helene Leeming,  
Richard Stobart and Heather Williams

Quorum: 3

Substitutes: Councillors Sue Ellington, Dr. Richard Williams, Bunty Waters,  
James Hobro, Dr Lisa Redrup, Pippa Heylings and Jose Hales

Dear Councillor

You are invited to attend the next meeting of **Audit and Corporate Governance Committee**, which will be held in **Council Chamber - South Cambs Hall** at South Cambridgeshire Hall on **Thursday, 16 May 2024 at 10.00 a.m.**

Yours faithfully  
**Liz Watts**  
Chief Executive

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## Agenda

	<b>Pages</b>
<b>1. Apologies for Absence</b> To receive Apologies for Absence from Committee members.	
<b>2. Declarations of Interest</b>	
<b>3. Minutes of Previous Meeting</b> To confirm the minutes of the meeting held on 19 March 2024 as a correct record.	<b>5 - 10</b>
<b>4. Public Questions</b> If you would like to ask a question or make a statement, then please refer to the <a href="#">Document called Public Speaking Scheme (Physical Meetings)</a> and contact Democratic Services by no later than 11.59pm three clear working days before the meeting.	
<b>Audit Reports</b>	
<b>5. Approval of the 2022/23 Draft Accounts</b>	<b>11 - 14</b>

<b>6.</b>	<b>External Auditor's Report for the year of 2020/21</b>	<b>15 - 44</b>
<b>7.</b>	<b>High Level Audit Plan from KPMG</b>	<b>45 - 62</b>
<b>8.</b>	<b>Annual Governance Statement and Local Code of Governance</b>	<b>63 - 106</b>
<b>9.</b>	<b>Matters of Topical Interest</b>	

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**If you wish to ask a question or make a statement at a meeting, please refer to the Public Speaking Scheme at the below link.**  
[Link to the Public Speaking Scheme](#)

**Further information for Councillors**  
[Declarations of Interest – Link to Declarations of Interest - Information for Councillors](#)

Councillors are reminded that Democratic Services must be advised of substitutions in advance of meetings. It is not possible to accept a substitute once the meeting has started.

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# Agenda Item 3

## South Cambridgeshire District Council

Minutes of a meeting of the Audit and Corporate Governance Committee held on  
Tuesday, 19 March 2024 at 10.00 a.m.

PRESENT: Councillor Michael Atkins – Chair  
Councillor Peter Sandford – Vice-Chair

Councillors: Helene Leeming Richard Stobart  
Heather Williams

Officers: Patrick Adams Senior Democratic Services Officer  
Philip Bird Corporate Programme Manager  
Peter Maddock Head of Finance  
John Murphy Monitoring Officer

Auditors: Jonathan Tully Head of Shared Internal Audit

### 1. Apologies for Absence

Apologies for Absence were received from Councillors Graham Cone and Geoff Harvey.

It was noted that Councillor Graham Cone had replaced Councillor Mark Howell on the Committee. The Chair thanked Councillor Howell for his long years of service on the Audit and Corporate Governance Committee.

### 2. Declarations of Interest

Councillor Peter Sandford declared an Other Registerable Interest as a non-remunerated director of South Cambs Ltd trading as Ermine Street Housing.

Councillor Richard Stobart declared an Other Registerable Interest as a director of both South Cambs Investments Partnership and South Cambs Projects.

Councillor Heather Williams declared an Other Registerable Interest as a member of the Greater Cambridge Partnership Joint Assembly.

### 3. Minutes of Previous Meeting

The minutes of the meeting held on 23 January 2024 were agreed as a correct record.

### 4. Public Questions

There were no public questions.

### 5. 2022/23 Accounts Progress, 2023/24 accounts and future audits

The Head of Finance presented this report, which stated that the 2022/23 draft

accounts were expected to be ready by the end of March and the Committee would be asked to approve them at an additional meeting in May.

It was noted that legislation was anticipated from the Government in June, to allow accounts from before 2023/24 to be signed off without a full audit. It was hoped that the legislation would provide guidance for auditors on how to word disclaimers on the affected audits.

The Head of Finance explained that in the expectation of the forthcoming Government legislation, EY would not be carrying out a full audit for the 2021/22 and 2022/23 accounts. Work would be progressing for the close down of the 2023/24 accounts and it was expected that the Council's new auditors KPMG would start work on these accounts in October 2024. The Head of Finance agreed to provide the Committee with a timeline for the auditing of the 2021/22, 2022/23 and 2023/24 accounts.

Councillor Heather Williams asserted that EY had provided inadequate resources for their work and this was partly responsible for delays in the signing off of accounts. She concluded that this information should be made public for organisations going out to tender for future contracts.

In response to questioning the Head of Finance explained that EY intended to bill the Council for the work that they had carried out. He expected a substantially reduced bill for their work on the 2021/22 and 2022/23 accounts. Discussions with EY on this issue were ongoing.

It was noted that EY's work on value for money for both the 2021/22 and 2022/23 accounts was expected to be received by July's Committee.

It was noted that work on the 2023/24 accounts would have to commence before the closing balances for the 2022/23 accounts were known. The Head of Internal Audit agreed to liaise with Peter Maddock on this matter and consider any risks.

The Head of Finance explained that whilst KPMG would be on site in November he expected that they would be carrying out preparatory work beforehand and he was confident that their work on 2023/24 accounts would be completed by the end of March 2025.

The Head of Finance explained that CIPFA were providing guidance on benchmarking valuation. He believed that KMPG would use an indexation style evaluation, which should take less time than previously. He was confident that there would not be any serious issues with the valuation of assets and pension valuation.

The Committee **noted** the report.

## 6. Governance Risk and Control Update

The Head of Internal Audit presented this report, which updated the Committee on topical news items and corporate governance matters.

### **Tackling fraud**

The Head of Internal Audit explained that the Council had extracted data for the annual national fraud initiative, which had provided the assurance that the Council's data was reliable. This data had been used in the recent successful council tax anti-fraud initiative, which had resulted in the recovery of £477,000. He agreed to amend the report to remove reference to savings regarding money retrieved in relation to fraud, as the Council had a moral responsibility to recover this money and it should not be considered as a budgetary exercise.

### **Training**

The Head of Internal Audit assured the Committee that work was being carried out with regard to the training of staff and their Continuing Professional Development. Committee members hoped that this could focus on those with professional qualifications.

The Head of Internal Audit agreed to provide the Committee with a timescale regarding its training programme on recognising the signs of modern slavery and the involvement of the Police in this initiative. It was agreed that the training should be offered to councillors as well as officers. It was noted that modern slavery had been added to the Risk Register.

### **Data checking**

The Head of Internal Audit reported that the Council used specialist software to check the accuracy of its data and for the identification of patterns and trends. He acknowledged that whilst national data analysis was useful it could result in false positives and that there was no substitute for local intelligence.

### **Independent Member**

The Head of Internal Audit explained that the aim was to recruit an Independent Member to the Committee for the start of the next municipal year. It was agreed that the job advert should be shared with members of the Committee. It was hoped that the recruitment process would not be delayed due to the pre-election period or any other elections.

The Committee **noted** the report.

## **7. Six-Monthly Strategic Risk Report**

The Corporate Programme Manager presented this report on the Council's current strategic risks, as displayed in the Strategic Risk Register. It was understood that the Committee reviewed the Register every six months. It was noted that date of December 2024 in the report should be corrected.

Councillor Heather Williams suggested that both the MRF waste contract should be included in the Risk Register, as Huntingdonshire District Council had budgeted a £900,000 increase for this and that an additional risk should be added regarding the four-day week, on the difficulties that would result if the Council decided to return to a five-day week. The Chair asked the Corporate Programme Manager to bring these two recommendations to the attention of the relevant risk owner.

Councillor Richard Stobart stated that the Risk Register should be a dynamic document and he asked what process existed for assessing the risk scores and removing risks from the Register. The Corporate Programme Manager explained that risks were reviewed regularly by the risk owners and Leadership Team. Risks could be mitigated which would reduce their score and could result in them being removed from the Register. It was noted that risks appeared in the Council's service plans.

Members of the Committee asked the following questions:

- With regards to risk SR11, Failure to effectively manage, control and utilise data and intelligence across the Council, what is data maturity self assessment?
- With regards to risk SR12, Failure to reduce emissions, how significant will the impact be on the Council with regards to the Asset Management Strategy and attempts to reduce the carbon cost of the Council owned homes.
- With regards to risk SR32, Increase in need for temporary accommodation, what work is being done to mitigate this significant risk.

The Corporate Programme Manager agreed to refer these questions to the appropriate risk owners.

The Committee **noted** the report.

#### **8. Treasury Management Performance Report: Quarter Ending 31 December 2023**

The Head of Finance presented this report, which outlined the performance against the Council's approved Treasury Management Strategy for the first nine months of 2023/24. It was noted that the level of borrowing had reduced.

In response to questioning, the Head of Finance explained that currently short term borrowing was cheaper than long term borrowing but this situation would be kept under review. The Council's cashflow projections had also supported short term borrowing.

The Head of Finance explained that the Council received advice from an External Treasurer Adviser who collected information from a variety of sources.

The Chair asked if short-term debt and investments and long-term debt and investments could be presented together, to assist the Committee with its analysis.

The Chair asked officers to ensure that when investing with other local authorities the financial status of those authorities was being taken into account. It was suggested that other authorities may have invested in HS2 and the Head of Finance agreed to check this.

It was hoped that the annual treasury management report would be taken to the next meeting of the Committee in May.



The Committee **noted** the report.

**9. Regulation of Investigatory Powers Act 2000 (RIPA) Policy and Update on Use of RIPA**

The Monitoring Officer presented this report, which recommended that the Committee approve the current Regulation of Investigatory Powers Act (RIPA) Policy and provided an update on the use of RIPA powers since the Committee last met. It was noted that no amendments had been made to the current policy and the RIPA powers had not been used since the last meeting of the Committee. It was noted that the date in paragraph 7 should be March 2023.

It was noted that in the past the RIPA powers had been used to gather evidence against fly-tipping.

The Monitoring Officer agreed to ensure that there was an ongoing training programme for officers for the possible use of RIPA. The Monitoring Officer agreed to check that the Chief Executive was the officer responsible for the RIPA process.

The Committee

**Agreed** to approve the Council's RIPA policy at Appendix A.

**Noted** that the Council had not used surveillance powers between December 2023 to February 2024.

**10. Matters of Topical Interest**

No matters of topical interest were raised.

**11. Date of Next Meeting**

It was noted that the next meeting of the Committee would be arranged for May 2024.

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**The Meeting ended at 11.30 a.m.**

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# Agenda Item 5



**South  
Cambridgeshire  
District Council**

<b>Report to:</b>	Audit and Governance	16 <sup>th</sup> May 2024
<b>Lead Cabinet Member:</b>	Councillor John Williams, Lead Cabinet Member for Finance	
<b>Lead Officer:</b>	Peter Maddock, Head of Finance	

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## 2022/23 Accounts Approval

### Executive Summary

1. The draft statement of accounts for the year 2022/23 were published in draft form on 28<sup>th</sup> March 2024 and are on the Council's website. The public inspection period ran to 13<sup>th</sup> May and the accounts are now presented for approval.
2. EY have been carrying out their value for money work on both 2021/22 and 2022/23 and will be reporting on that work in due course. There will not be a full audit of either year and the intention is to disclaim these accounts. It is not clear what the wording of the disclaim will be at this stage.

### Recommendation

3. That Committee approve the draft accounts for 2022/23 reproduced at Appendix A.

### Details

#### 2022/23 Accounts

4. The Council has been preparing the draft accounts for 2022/23 over the last few months and published them subject to Committee approval on its website on 28<sup>th</sup> March 2024. These accounts are reproduced as Appendix A and some commentary is included below to assist the Committee.
5. The Comprehensive Income and Expenditure Statement (CIES) shows the income and expenditure of the Council for 2022/23 and relates to both the General Fund and the Housing Revenue Account. There is a Surplus of £75.922m for the year compared to a surplus of £103.980m in the prior year and this is driven by a number of changes.
  - a. There was an increase to the cost reported under finance services because the contribution relating to the A14 originally due over a 25 year

period was commuted to a one off payment in March 2023. This amounted to a sum of £4m instead of the £6m payable over the longer term.

- b. The Housing Revenue Account saw a reduced surplus as valuation reductions written off to the CIES were lower in the prior year (HRA statement p76)
- c. There was a significant increase in value of the Council's investment property in 2022/23 (note 10).
- d. Due to a change in the financial assumptions the pension liability has reduced from £59m to £0.427m from 2021/22 to 2022/23 (note 32 p67).

This however is not the overall picture for the General Fund as the Movement in Reserves Statement (MiRS) referred to below has to be taken into account also, which gives an overall surplus of £2.855m. This is a reduction when compared to the outturn reported to Cabinet in September 2023 and shown within the Narrative Report (page 7).

6. The MiRS contains various accounting adjustments that need to be removed from the cost of services figures when ascertaining the amount that can be charged against the Council Tax. Examples include Depreciation and Asset impairments, Pension and Collection Fund adjustments. The statement also includes amounts appropriated to reserves and items that need to be charged against the Council Tax but do not form part of the CIES.
7. The Balance Sheet shows what the Council owns and what it owes. The largest figure, unsurprisingly, relates to Property Plant and Equipment which has remained largely unchanged between the two years.
8. In 2021/22 one of the Council's investment properties was reclassified as an asset held for sale as at 31<sup>st</sup> March the sale was in progress. The property concerned was sold early in 2022/23 and therefore the property has been removed from the Balance Sheet. The value of the remaining properties has increased by around £15m from £38m to £54m after also allowing for a small amount of capital expenditure.
9. The Council had general fund borrowings of £50m at the end of 2021/22 but this had reduced to £40m a year later. The sale of the aforementioned investment property meant some of the borrowing did not need refinancing and because some of the sale proceeds were needed to finance the capital programme, short term investments increased (Note 13).
10. The pensions liability has reduced from £59.104m to £0.427m. The valuation is based on a number of assumptions, such as future pensions and estimated salaries which as expected have increased, life expectancy has been reduced and the return on plan assets has increased. The main reason for the increase in returns is related to the recovery from the low returns assumed previously as a result of the pandemic. These factors have acted to reduce the liability. Having said that the liability will not crystallise any time soon and it is possible that for 2023/24 there will be a pension asset.

11. The cashflow statement shows the change in cash and cash equivalents. A cash equivalent being a financial instrument that can be readily turned into cash within a short period of time. The statement shows the type of cashflows and how we get from the surplus/deficit on provision of services to the cash and cash equivalent figures in the balance sheet.
12. The statements above are often referred to as the 'core' statements.
13. There are a number of notes in the statement which give more detail on items within the core statements, and these are prescribed by the accounting code.
14. There are other statements within the accounts that are not classed as core but nevertheless need to be provided where the activity concerned is carried out by the Council. These are the Housing Revenue Account (HRA) Income and expenditure statement and related notes and the Collection Fund and related notes.
15. The former is concerned with the income and expenditure related to the management and maintenance of HRA property in the Council's role as a social landlord the latter is concerned with the collection and distribution of the Council Tax and Business Rates in the Council's role as the billing authority.
16. Finally, because the council has three wholly owned subsidiaries, Group Accounts need to be produced to show the financial performance of the four entities after adjusting for transaction between the entities.

### **Options**

17. The report asks the committee to approve the draft accounts for 2022/23. The other option is not to consider this report.

### **Implications**

18. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

### **Financial and Fraud Risk**

19. Timely and robust consideration of the Council's budgets is vital to ensure that financial statements are correctly stated, financial procedures are followed and that the financial position of the Council is effectively managed and monitored.
20. The assessment and management of fraud risk is an integral part of the final accounts and audit process and the Council is required to report on any fraud experienced and the arrangements it has in place to prevent and detect fraud. The Council has robust arrangements in place that includes our corporate fraud team, internal audit and this committee has fraud risk and management within its terms of reference.

## **Legal**

21. There is a requirement under the Accountancy and Audit Regulations for Council's to present their accounts for the preceding financial year for audit by 31st of May each year and for those accounts to be audited and published by 31 July each year. The report highlights that these dates will be changed going forward and given the historical issues experienced this makes a lot of sense and should ensure the catch up process is successful and is sustained longer term.

## **Risks/Opportunities**

22. There is a risk that the financial statements are incorrectly stated with consequential impacts. Whilst the 2022/23 accounts will not be subject to a full audit, the 2023/24 accounts will be. KPMG our the Council's auditors for 2023/24 and beyond and their work will provide assurance on the accounts going forward.

## **Alignment with Council Priority Areas**

### **A modern and caring Council**

23. Producing an annual statement of accounts is key to supplementing the financial information already in the public domain, to ensure the full transparency of the Council's financial affairs.

## **Appendix**

Statement of Accounts.

### **Report Author:**

Peter Maddock – Head of Finance  
Telephone: (01954) 713072



**South Cambridgeshire  
District Council  
Auditor's Annual  
Report**

Year ended 31 March 2021

Page 15

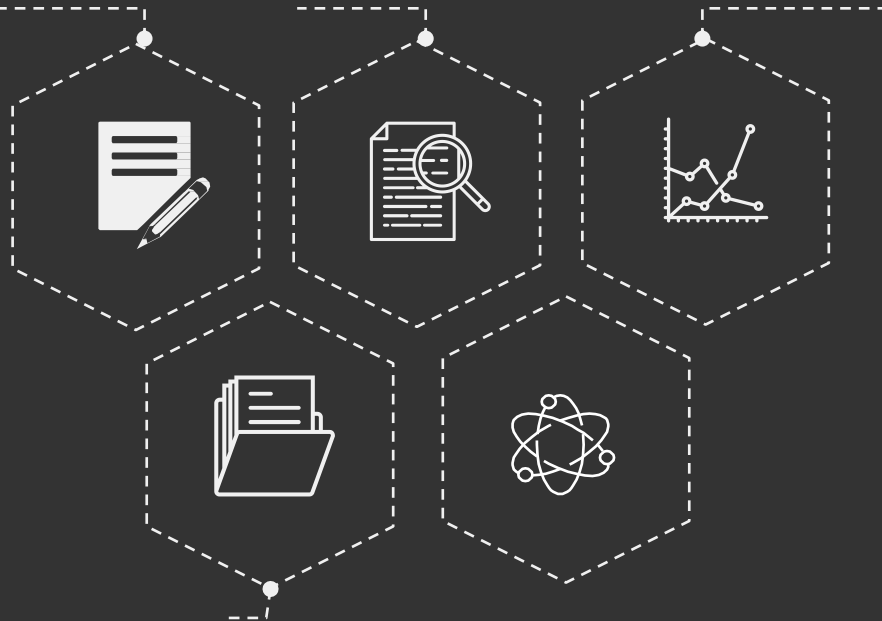
Agenda Item 6

# Contents

Introduction

Audit of the  
financial  
statements

Value for  
Money



Appendix A -  
Value for Money  
Arrangements

Appendix B -  
Fees

Page 16

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Council and management of South Cambridgeshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Council and management of South Cambridgeshire District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Council and management of South Cambridgeshire District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





# Introduction

## Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

## Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan we issued in May 2023. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

The 2020/21 financial statements of the Council;

Conclusions relating to going concern; and

The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

## Responsibilities of the Council

The Council are responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



## Introduction (continued)

### 2020/21 Conclusions - South Cambridgeshire District Council

<b>Financial statements</b>	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. We issued our auditor reports on 4 December 2023.
<b>Going concern</b>	We have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the Council financial statements is appropriate.
<b>Consistency of the other information published with the financial statement</b>	Financial information in the narrative statement and published with the financial statements was consistent with the audited Council.
<b>Value for money (VFM)</b>	We reported one matter by exception on the Council's VFM arrangements. We have included our VFM commentary in Appendix A.
<b>Consistency of the annual governance statement</b>	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.
<b>Public interest report and other auditor powers</b>	We had no reason to use our auditor powers.
<b>Whole of government accounts</b>	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission.
<b>Certificate</b>	We issued our certificate on 4 December 2023.



# Audit of the financial statements - South Cambridgeshire District Council

## Key findings

The Narrative Statement and Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 4 December 2023, we issued an unqualified opinion on the financial statements for the Council. We reported our detailed findings to the Audit and Governance Committee in our Audit Results Reports dated 3 October 2023 and 20 November 2023. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

## Significant risk

### Misstatements due to fraud or error

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

As part of our work to identify fraud risks during the planning stages, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.

## Conclusion

We did not identify any material weaknesses in controls or evidence of material management override.

We did not identify any instances of inappropriate judgements being applied.

Our testing of journals did not identify adjustments outside of the normal course of business. All journals tested had appropriate rationale.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

### Inappropriate capitalisation of revenue expenditure

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

We did not identify any Property, Plant and Equipment additions that were incorrectly capitalised.

Our testing of Revenue Expenditure Funded from Capital under Statute (REFCUS) identified two misstatements where expenditure was incorrectly classified as REFCUS only part of this expenditure recorded in the financial statements related to 2020/21.

Our testing of year end journals did not identify any movements from expenditure to capital outside the normal course of business.



# Audit of the financial statements - South Cambridgeshire District Council

Significant risk	Conclusion
<p><b>Valuation of Investment Properties</b></p> <p>During the 2019/20 the Council purchased three investment property assets totalling £24.6 million, in 2020/21 the Council purchased a further three investment properties totalling a further £25.4 million. At the balance sheet date of the 31 March 21 the Council investment property portfolio has been revalued to £75.5 million which equates to a £24.0 million increase in their valuation.</p> <p>The valuation of these investment properties represent a significant balance in the statement of accounts and their valuation requires management to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>As (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We did not identify any issues with our review of the work performed by the valuer over the Council's investment properties, including the adequacy of the scope of the work performed, their professional capabilities. We identified the following issues.</p> <p>We engaged our own internal valuers to review the assumptions and methodologies employed by the Council's external valuer on all investment property assets. Our internal valuers identified that three of the Councils assets did not fall within a reasonable range resulting in a material decrease in the valuation of investment properties as:</p> <ul style="list-style-type: none"><li>• Assets were incorrectly valued as freehold properties when the property is held on long leaseholds.</li><li>• Valuations did not fully reflect the particulars of leases in place regarding voids, rent free period and the occupation/vacancy at the balance sheet date.</li><li>• Valuations did not include the required a deduction for purchaser costs.</li><li>• The square footage used for one asset in the valuation was lower than that actually lettable at the property.</li></ul> <p>We did not identify any misstatements regarding the processing of accounting entries in the financial statements.</p> <p>We reviewed Investment Property disclosures and found that these were adequate.</p> <p>We identified that one material land asset that did not meet definition of an investment property as per the CIPFA Code of Practice and should have been classified as a Surplus asset.</p>

Page 20

We identified one risk of significant weakness in the Council's VFM arrangements for 2020/21.

Page 21  
Our VFM commentary highlights relevant issues for the Council and the wider public.

We have reported one matter by exception in the audit report.

## Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the Council which was based on a combination of our cumulative audit knowledge and experience, our review of Council reports, meetings with officers and evaluation of associated documentation through our regular engagement with Council management and the finance team.

## Reporting

We completed our risk assessment procedures and identified one significant weakness in the Council's VFM arrangements. As a result, we reported one matter by exception in the audit report on the financial statements.

Our detailed commentary for 2020/21 is set out on page 8. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2020/21. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	One significant risk identified	One significant weaknesses identified
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



## Value for Money (continued)

### Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2021. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

The general economic conditions have affected all Councils in recent years as central government focuses on deficit reduction and has sought to transfer the risk of reduced Non-Domestic Rates (NDR) income, or increased demand for Council tax reduction, to local government, and the impact of COVID-19 pandemic. This has prompted large scale savings plans and fundamental service reviews with the aim of achieving budget whilst maintaining good levels of service delivery.

The Council has a good track record of financial management and reporting, identifying and of delivering savings required to balance the budget over the medium term. The Council has a Medium Term Financial Strategy (MTFS) which sets out sustainable and affordable financial plans that address the Council's priorities over the next five years. It provides for realistic levels of spending and is not dependent upon the use of one-off reserves. It provides for a prudent level of reserves for contingencies. The MTFS is reported to the Scrutiny & Overview Committee and Cabinet which include the savings to be made and the outturn position by month against the forecasted year end position. During 2020/21 the Council began formulation a transformation programme in response to the funding gap identified in the MTFS. This is expected to include a programme of targeted service reviews to ensure that value for money is obtained in the delivery of services, together with the continuation of the programme of investment and commercialisation that has commenced, and which has been strengthened by the recent review of the Council's Investment Strategy.

The financial structure of the entity is primarily governed by the Council's Treasury Management Strategy (TMS) which is approved annually by Full Council. The Treasury Management Strategy (TMS) sets out the prudential indicators by which the Council bounds itself including borrowing and investment strategies and limits. The TMS complies with the CIPFA Prudential Code for Capital and Capital Finance in Local Authorities.

South Cambridgeshire District Council has set up two wholly owned companies, South Cambs Ltd t/a Ermine Street Housing (to invest in domestic property for rental and resale with the aim of maximising income for the group) and Shire Homes Lettings Ltd.

The Business Plan's for Ermine Street Housing and Shire Homes Lettings Ltd are refreshed annually, agreed by the Company's Board of Directors and are shared with Cabinet for information. The Company's Board of Directors review and refresh the Business Plan's annually to reflect changes in the composition of the portfolio, the gross rental yields achieved and the latest market values of the portfolio. The Business Plan's also consider the performance of the Company's in relation to the previous year's trading period, updates financial assumptions and revises key risks and key business sensitivities.

Conclusion: Based on the work performed, the Council had proper arrangements in place during 2020/21 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



## Value for Money (continued)

### Governance: How the Council ensures that it makes informed decisions and properly manages its risks

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2021. Our risk assessment identified one risk of significant weakness in arrangements to ensure sound governance regarding the Council's ability to prepare and publish its accounts by the dates outlined in the Accounts and Audit (A&A) Regulations 2014.

The Council is structured with elected members (via the Cabinet and Committee system) to make decisions, such as strategic initiatives and major transactions and probes for explanations of past results (e.g., budget variances), which are challenged by the Scrutiny & Overview Committee. The Audit & Corporate Governance Committee reviews the findings of internal and external audit and other inspections and requires appropriate responses and actions from management.

The Audit & Corporate Governance Committee 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. 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.

Key decisions are taken by Cabinet or Council and they are provided with full reports to enable them to make those decisions. There is also opportunity for the Scrutiny & Overview Committee to comment and challenge these decisions either through pre-scrutiny or the call-in process designed to hold Cabinet to account. Audit & Corporate Governance Committee has particular responsibility for scrutiny of governance, activity of the Corporate Fraud team, treasury and final accounts.

Management has regularly reported to Audit & Corporate Governance Committee the need to increase resources in the Finance team to resolve issues in the Council's Fixed Asset Register and improve delays in the preparation of statutory financial statements. Management has included a risk to this effect in the Council's Risk Register. Whilst overall there has been recent improvements through employing additional resources in the finance team, there have also been changes to the Finance team throughout the period which have caused delay's in the work on the accounts. In March 2021 it was reported to the Audit & Corporate Governance Committee that the Finance team needed extra resources to effectively manage the financial statements audit process. In July 2021 management reported to the Audit & Corporate Governance Committee that an additional officer was required to work on the fixed asset register and that extra resources were required to assist with the budget and finance monitoring, whilst work on the financial statements was ongoing. The council subsequently recruited a 0.5 full time equivalent member to accountancy in December 2021 and confirmed that two interim project accountants were contracted in October 2022 to assist with the preparation and audit of the Council's financial statements

The 2020/21 financial year was the sixth successive year that the Authority has been unable to publish its statement of accounts by the target dates outlined in the Accounts and Audit Regulations 2015. Following the 2019/20 value for money conclusion except for qualification, the Council has made further progress with the arrangements it has put in place for preparing its 2020/21 statement of accounts. However, the unaudited statements were not published until 22 December 2022 due to weaknesses in the manual process used by the council to prepare the financial statements from underlying financial systems. The length of time between the financial year and financial statement publication means that officers preparing the accounts may not have been involved in, nor have detailed knowledge of, the underlying transactions resulting in challenges in providing timely responses to audit queries as evidence to support the historic transactions.



## Value for Money (continued)

### **Governance: How the Council ensures that it makes informed decisions and properly manages its risks (Continued)**

This is evidence of a significant weaknesses in proper arrangements for supporting its statutory reporting requirements and effective processes and systems for accurate and timely management information. We recommend that the Council continues to re-assess and flex roles, responsibilities and resource requirement for financial reporting, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives. Training may be required to ensure changes are embedded effectively. The Council should also continue to reset the relationship with audit across all levels of the Council to allow for constructive and open dialogue on issues affecting the Council's financial position and reporting.

The Council implemented a 4 day working week trial in January 2023 which is planned to run to the end of March 2024. The Council has been subject to increased scrutiny and media coverage regarding this trial including the issue of a non-statutory Best Value Notice. We recommend that the Council continues to consider the impact of guidance and any statutory direction it may receive to ensure proper governance over these arrangements and continued delivery of value for money in its services.

Conclusion: Based on the work performed, we identified a significant weakness in the Council's arrangements in place in 2020/21 to make informed decisions and properly manage risks, in relation to financial reporting.





## Value for Money (continued)

### Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2021. Our risk assessment did not identify any risk of significant weakness in arrangements over improving economy, efficiency and effectiveness.

The Council's Section 151 officer has overall statutory responsibility for the proper administration of the authority's financial affairs, including preparation of the Statement of Accounts and making arrangements for the appropriate systems of financial control.

Management continually monitor their finances, primarily against budget, with formal financial performance reviews taking place monthly which are reported and monitored within the finance department and the senior management team. Quarterly finance monitoring reviews take place which are then reported to Cabinet and the Scrutiny & Overview Committee. The finance report provides information on the revenue position each month along with their estimated projection and explanation for any variances. Performance reporting arrangements allow performance monitoring and management to take place by providing opportunity to examine quality of service provision and progress against Business Plan actions and timescales, to identify any areas of concern and decide on the appropriate action. KPI information is used to assess performance and where there is a shortfall these have been addressed.

The Council operates within a number of shared services with other Council's and is implementing a "recharge model" for existing shared services which been a priority in order to ensure that recharges are fair and consistently applied and that taxpayers in one area are not subsidising services provided in another. This has resulted in an adjustment in the level of recharges that will be phased over the next three years resulting in saving for the Council in 2020/2021 and future years.

The Council works with a number of partners on different projects such as Community Health, Community safety and the Northstowe development. The Council has regular monitoring meetings which report to the leadership team, Cabinet or the Investment Governing Board (IGB) as appropriate. These forum's are able to hold the partnerships to account to ensure the delivery of objectives.

Risk and opportunity management is embedded throughout the authority and in its partnership working arrangements. The Audit & Corporate Governance Committee is independent of the executive and scrutiny functions and embedded as a key part of the authority's overall governance framework. Its terms of reference are aligned to CIPFA's best practice standards for Audit & Corporate Governance Committees.

The Council continues to deliver any required savings through a mixture of service reviews, collaborative working, income generation and operational efficiencies. Supply of services to the Council is governed by the Public Contract Regulations (PCR) 2015 and its Directives, UK Law and the Constitution of the Authority. This is supported by a procurement strategy which sets what the Council's aim to achieve when they procure works, supplies and services.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

# Appendices

Page 26

## Appendix A - Summary of arrangements

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### Financial Sustainability

#### Reporting Sub-Criteria

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

#### Findings

The Council have a Medium Term Financial Strategy (MTFS) which is approved by Cabinet and Full Council. The MTFS sets out sustainable and affordable financial plan that addresses the Council's priorities over the next five years. It provides for realistic levels of spending, not dependent upon the use of one-off reserves. It provides for a prudent level of reserves for contingencies. The MTFS is reported in the Scrutiny & Overview committee & Cabinet which include the savings to be made and the out turn position by month against the forecasted year end position.

The Council have a good track record of financial management and reporting identifying and of delivering savings required to balance the budget over the medium term.

The Council refreshes its MTFS twice a year in accordance with best practice.

The Council's transformation programme was being formulated during 2020/21 and was in response to the funding gap identified in the MTFS. At that time the Fair Funding Review was expected in 2021/22 and a loss of business rates and new homes bonus funding was forecast from that year. Other spending pressures are identified either through the budget setting process or in consultation with officers well in advance of when the pressure is expected to hit. All known pressures be they funding reductions or expenditure increases are factored into the MTFS. The quarterly monitoring process can also assist with identifying budget pressures particularly those that may be of a shorter term nature.

## Appendix A - Summary of arrangements

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### Financial Sustainability

#### Reporting Sub-Criteria

How the body plans to bridge its funding gaps and identifies achievable savings

#### Findings

The general economic conditions have affected all Councils in recent years as central government focuses on deficit reduction and has sought to transfer the risk of reduced Non-Domestic Rates (NDR) income, or increased demand for Council tax reduction, to local government, and the impact of COVID-19 pandemic. This has prompted large scale savings plans and fundamental service reviews with the aim of achieving budget whilst maintaining good levels of service delivery.

The MTFS is reported in the Scrutiny & Overview Committee & Cabinet which include the savings to be made and the out turn position by month against the forecasted year end position.

A service transformation programme has been developed in response to the funding gap and the financial challenges over the medium term and a detailed report was considered by Cabinet at its meeting on 4 December 2019. This is expected to include a programme of targeted service reviews to ensure that value for money is obtained in the delivery of services, together with the continuation of the programme of investment and commercialisation that has commenced, and which has been strengthened by the recent review of the Investment Strategy.

The budget gap was identified at £5.7m in February 2020 and a significant amount of this was to be found from expanding the number of investment properties the council owned. Since then the response to the Public Works Loan Board (PWL) consultation in November 2020 made this approach somewhat more difficult. A transformation programme was also being formulated which would lead to identifying savings to be found through efficiencies.

## Appendix A - Summary of arrangements (continued)

### Financial Sustainability

#### Reporting Sub-Criteria

#### Findings

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

An annual budget is set & approved by the Council prior to the start of the financial year. The budget sets the level of Council tax and council dwelling rent increases. Budget holders are allocated specific cost codes which they are responsible for monitoring against on an ongoing basis. The financial system allows budget holders to see actual outturn vs budget in real time, however for the most part they tend to focus their formal monitoring procedures at the end of every month.

Performance against any previous plan objectives are reported quarterly to the Scrutiny & Overview committee and Cabinet, including a review of financial performance and updates on Council's Strategic Risk registers.

The financial structure of the Council is primarily governed by the Council's Treasury Management Strategy (TMS) which is approved annually by Full Council. The Treasury Management Strategy (TMS) sets out the prudential indicators by which the Council bounds itself including borrowing and investment strategies and limits. The TMS complies with the CIPFA Prudential Code for Capital for Capital Finance in Local Authorities.

In order to be able to deliver the Council's aspirations as set out in its Business Plan, approved by Council at its meeting on 21 February 2019, and meet its statutory responsibilities the Council must take a proactive approach to managing its resources effectively. The MTFs is a key tool for proactive financial management which allows for future projected funding requirements to be identified thus enabling the Council to identify appropriate actions to deal with any funding shortfalls.

The MTFs looks at the five year expected income and expenditure and also takes account of agreed priorities in the business plan. Where there are projects ahead, resources are set aside to meet those costs, eg the renewables reserve has resources set aside to meet related expenditure. The budget process considers fees and charges and the level of increase to apply with reference to cost of provision and effect on demand of increases. Additional income generated from this process helps to bridge the gap. One of the factors considered when trying to decide whether to carry out a project or investment is whether it will deliver ongoing savings which again would bridge the gap. A robust review of budgets also takes place when the budget is constructed to remove any allocations that are no longer needed.

## Appendix A - Summary of arrangements (continued)

### Financial Sustainability

#### Reporting Sub-Criteria

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

#### Findings

Management continually monitor their finances, primarily against budget, with formal financial performance reviews taking place monthly which are reported and monitored within the finance department and the senior management team. Quarterly finance monitoring reviews take place which are then reported to Cabinet and the Scrutiny & Overview Committee. The finance report provides information on the revenue position each month along with their estimated projection and explanation for any variances.

The Council aim to meet their budget each year and make modifications throughout the year to ensure they achieve this.

The MTFs is the Council's key financial planning document and sets out the Council's strategic approach to the management of its finances and Council Tax levels over the medium term, thereby allowing sufficient lead time to develop services consistent with the forecast resource envelope.

The Council also has a Treasury Management Strategy (TMS) which is approved annually by the council and governs the financial structure of the entity. The TMS sets out the prudential indicators by which the Council bounds itself including borrowing and investment strategies and limits. The Treasury Management Strategy complies with the CIPFA Prudential Code for Capital for Capital Finance in Local Authorities.

The Council is a member of the CIPFA Treasury Management benchmarking club. Actual performance is also reported at annually to Members.

South Cambridgeshire District Council has set up two wholly owned companies namely South Cambs Ltd t/a Ermine Street Housing (to invest in domestic property for rental and resale with the aim of maximising income for the group) and Shire Homes Lettings Ltd.

The Business Plan's for Ermine Street Housing and Shire Homes Lettings Ltd are refreshed annually, agreed by the Company's Board of Directors and are shared with Cabinet for information. The Company's Board of Directors review and refresh the Business Plan's annually to reflect changes in the composition of the portfolio, the gross rental yields achieved and the latest market values of the portfolio. The Business Plan's also consider the performance of the Company's in relation to the previous year's trading period, updates financial assumptions and revises key risks and key business sensitivities.

## Appendix A - Summary of arrangements (continued)

### Financial Sustainability

#### Reporting Sub-Criteria

#### Findings

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council have a MTFS which is approved by Cabinet and Full Council. The MTFs sets out sustainable and affordable financial plan that addresses the Council's priorities over the next five years. It provides for realistic levels of spending, not dependent upon the use of one-off reserves. It provides for a prudent level of reserves for contingencies.

The Council has in place a range of key performance indicators which it uses to measure its performance. These indicators are developed for each of the council's main priorities in the corporate plan. The main organizational assessment is around Value for Money, the Council's external auditor's judge and report back to the council on arrangements for securing financial resilience and challenging and improving value for money.

The Council's forward plan of work is regularly reviewed to ensure that planned activities are prioritised and will be delivered at the earliest opportunity, and to respond to emerging external unplanned factors.

Revenue budgets are monitored monthly by the Council's Budget Holders, Management Team and Portfolio holder for finance with quarterly performance reports taken to Executive. Capital programmes are monitored less frequently. These provide an analysis and explanation for sig variances and forecast year end position, and therefore impact on reserve levels. The budget is not set in stone and amendments can be made as necessary as events in the year unfold and as financial monitoring recognises the need for changes and for any new risks identified. These changes have to be agreed by Council.

The Council has a risk register in place which highlights all the risks identified by the Council along with the control measures in place. This risk register is updated with the risk rating based on the control measures implemented by the council for the risks. The risk register identifies risks for areas such as Financial, Business continuity, change management, climate change, governance, major projects etc. Based on the council's risk management strategy, roles & responsibilities of each group/ individual of the council are identified and includes quarterly review of the risk register by the Cabinet.

A specific risk is included within the Risk register around financial resilience. The risk highlights the mitigation taken where possible and assesses the residual risk. The unallocated General Balance is available for any unexpected expenditure increases in year and this is substantially above 25% of Net budget requirement.

## Appendix A - Summary of arrangements (continued)

### Financial Sustainability

#### Reporting Sub-Criteria

#### Findings

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans (Continued)

Impact of Coronavirus:

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.

Most of the Council's services have been impacted to some degree by the pandemic. In particular:

(a) Revenue collection and benefit payment - there has been, and will continue to be, some reduction in revenue generated by local tax - both council tax paid by local residents and non-domestic rates (NDR) paid by local businesses. Claims for housing benefit and universal credit have also increased. Workload for the Council's revenue and benefits section has increased significantly, both in terms of increased claims for benefit but also through the administration of grants paid to support local business during the period of physical restrictions on movement. The revenue collection process is supported in part by Central Government, for example expenditure on Housing Benefits is matched in grant funding provided by DWP.

(b) Reduction on planning applications and associated processes

(c) Reduction in income collected from services such as car park income and leisure services etc.

The council responded to external factors such as Covid-19 and Brexit. They reprioritised resources to focus on the critical activities, and this helped them to deliver resources where it was needed most. The Council's Forward-Plan of work is regularly reviewed to ensure activities are prioritised according to need, and this enables us to respond to emerging and unplanned events. The Council delivered an updated Medium-Term Financial Strategy and commenced work on Financial Resilience to support the Financial Management Code. The Council maintains a Business Plan and ongoing revisions will recognise these pressures to help manage financial resilience and stability.



## Appendix A - Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

#### Findings

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. The internal audit performs periodic reviews of internal control which is the entity's primary tool in the monitoring of controls

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 the comments received from External auditors and other review agencies and inspectorates.

Those charged with governance provide effective oversight over the entity's external financial reporting and related internal control.

Management makes recommendations to Council. Elected members (via the Cabinet and Committee system) then make decisions, such as strategic initiatives and major transactions and probes for explanations of past results (e.g., budget variances), which appear to be constructively challenged by the Scrutiny & Overview Committee.

The Audit & Corporate Governance Committee reviews the findings of internal and external audit and other inspections and requires appropriate responses and actions from management.

The Council regularly updates its strategic risk register and reports to Audit & Corporate Governance Committee twice a year. Internal audit carry out work assessing the adequacy of controls across a range of Council functions on a risk basis. A Corporate Fraud team was set up in early 2020 and they investigate any instances of fraud against the Council.

## Appendix A - Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

How the body approaches and carries out its annual budget setting process

#### Findings

The Council agrees the budget and the policy framework, such as the Corporate plan, MTFS. The Council consists of 45 members who meet in February every year to approve the budget. The Cabinet, Council's principal decision making body, is charged with implementing the budget and policy framework agreed by Council. During the year expenditure and income is monitored and significant variances are reported to the council.

A suite of financial plans: housing revenue; housing capital, GF revenue and capital, is approved at a full Council meeting before the start of each financial year. The budget is drawn up using a base line adjusted for inflationary factors and other expected changes. The budget is then scrutinised and challenged in Executive and Council meetings and is amended where approved by the Council.

The revenue and capital budgets are monitored quarterly by the Council's Cabinet, alongside performance reports on services. The budget monitoring reports provide analysis and explanation for any significant variances and forecast year-end outturn, and therefore the impact on the reserve levels.

A detailed refresh of the MTFS was considered by Cabinet, at its meeting on 6 December 2019, and this provided (i) an assessment of the resources available to the Council over the medium term and (ii) an assessment of spending pressures based on existing levels of service delivery and known policy/legislative changes. The determination of the 2020/21 revenue budget has, therefore, been informed by the MTFS financial forecasts, together with established and effective budget monitoring arrangements that have created a sound foundation for the management of the Council's financial resources.

HRA budgets continue to be set in the context of a 30-year business plan, which is reviewed in November and February of each year. The HRA budget setting report covers both HRA revenue and capital spending.

Budget setting starts in September and culminates in the budget setting report the following February. There is a bids and savings process where each new item is agreed or otherwise prior to its inclusion. Detailed working papers are provided and all information is discussed with spending officers before adding to the budget databases. The detailed budgets are presented to Scrutiny for their input. There is significant consultation with spending officers and members to ensure that resources are allocated to appropriate areas at appropriate levels. Consultation also takes place with Partner authorities on Shared Budgets where SCDC are the host authority. During the year budgets are refined as part of the monitoring process and this information is used to assess whether budget should be retained or reprofiled.

## Appendix A - Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

#### Findings

Management makes recommendations to Council. Elected members (via the Cabinet and Committee system) then make decisions, such as strategic initiatives and major transactions and probes for explanations of past results (e.g., budget variances), which appear to be constructively challenged by the Scrutiny & Overview Committee.

The Audit & Corporate Governance Committee reviews the findings of internal and external audit and other inspections and requires appropriate responses and actions from management.

The S151 officer has overall statutory responsibility for the proper administration of the authority's financial affairs, including preparation of the Statement of Accounts and making arrangements for the appropriate systems of financial control.

Management communicates regularly with the personnel, both in person, e.g., during the annual performance review process and through established means of communication - such as the weekly internal email, staff briefings, EMT blog & Corporate Brief meetings information passed onto staff via publication on Insite (Intranet).

In terms of establishing reporting lines and responsibilities, there are written job descriptions for each member of staff which sets out their duties and formal lines of reporting.

Monitoring Information is provided on a monthly basis to spending officers comparing budgets with actuals to date. Accountants deal with each area and liaise with budget managers to gain an understanding of the risk facing service areas. Information from these reports is used to report to members on key areas and where corrective action is necessary what that might be. There are regular meetings with budget holders as well as quarterly reporting on financial monitoring that support this process.

## Appendix A - Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Audit & Corporate Governance Committee

#### Findings

Elected members (via the Cabinet and Committee system) make decisions, such as strategic initiatives and major transactions and probes for explanations of past results (e.g., budget variances), which appear to be constructively challenged by the Scrutiny & Overview Committee.

The Audit & Corporate Governance Committee reviews the findings of internal and external audit and other inspections and requires appropriate responses and actions from management.

The Audit & Corporate Governance Committee 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.

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

Key decisions are taken by Cabinet or Council and they are provided with full reports to enable them to make those decisions. There is also opportunity for the Scrutiny & Overview Committee to comment and challenge these decisions either through pre-scrutiny or the call-in process designed to hold Cabinet to account. Audit & Corporate Governance Committee has particular responsibility for scrutiny of governance, activity of the Corporate Fraud team, treasury and final accounts.

Management has regularly reported to Audit & Corporate Governance Committee the need to increase resources in the Finance team to resolve issues in the Council's Fixed Asset Register and improve delays in the preparation of statutory financial statements. Management has included a risk to this effect in the Council's Risk Register. Whilst overall there has been recent improvements through employing additional resources in the finance team, there have also been changes to the Finance team throughout the period which have caused delay's in the work on the accounts. In March 2021 it was reported to the Audit & Corporate Governance Committee that the Finance team needed extra resources to effectively manage the financial statements audit process. In July 2021 management reported to the Audit & Corporate Governance Committee that an additional officer was required to work on the fixed asset register and that extra resources were required to assist with the budget and finance monitoring, whilst work on the financial statements was ongoing. The council subsequently recruited a 0.5 full time equivalent member to accountancy in December 2021 and confirmed that two interim project accountants were contracted in October 2022 to assist with the preparation and audit of the Council's financial statements

## Appendix A - Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Audit & Corporate Governance Committee (Continued)

#### Findings

The 2020/21 financial year was the sixth successive year that the Authority has been unable to publish its statement of accounts by the target dates outlined in the Accounts and Audit Regulations 2015. Following the 2019/20 value for money conclusion except for qualification, the Council has made further progress with the arrangements it has put in place for preparing its 2020/21 statement of accounts. However, the unaudited statements were not published until 22 December 2022 due to weaknesses in the manual process used by the council to prepare the financial statements from underlying financial systems. The length of time between the financial year and financial statement publication means that officers preparing the accounts may not have been involved in, nor have detailed knowledge of, the underlying transactions resulting in challenges in providing timely responses to audit queries as evidence to support the historic transactions.

This is evidence of a significant weaknesses in proper arrangements for supporting its statutory reporting requirements and effective processes and systems for accurate and timely management information. We recommend that the Council continues to re-assess and flex roles, responsibilities and resource requirement for financial reporting, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives. Training may be required to ensure changes are embedded effectively. The Council should also continue to reset the relationship with audit across all levels of the Council to allow for constructive and open dialogue on issues affecting the Council's financial position and reporting.

The Council implemented a 4 day working week trial in January 2023 which is planned to run to the end of March 2024. The Council has been subject to increased scrutiny and media coverage regarding this trial including the issue of a non-statutory Best Value Notice. We recommend that the Council continues to consider the impact of guidance and any statutory direction it may receive to ensure proper governance over these arrangements and continued delivery of value for money in its services.

## Appendix A - Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

#### Findings

The Constitution includes the roles and responsibilities of the Executive, Committees, Full Council and chief officers and the rules under which they operate. In particular how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent and accountable to the community. Many of these processes are required by statute, while the Council has determined others locally. The Monitoring Officer provides advice on the interpretation and application of the Constitution. Executive decisions are made by the Executive Body being the Leader and Cabinet, within the overall policy and budgetary framework approved by Full Council. Any decisions the Executive wishes to take outside of the framework must be referred to Full Council to decide. Scrutiny & Overview Committees monitor the work of the Executive Body.

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper practice standards. The authority 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 efficiency, effectiveness and economy. In discharging this accountability, the authority is responsible for putting in place and maintaining, proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

All officers of the authority have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided as necessary and appropriate induction sessions are carried out. Compliance assessments are carried out by management, auditors and through the work of statutory inspectors.

The Council has a monitoring officer with overall responsibility for monitoring and advising on these matters. The monitoring office has an independent person they can use for advice and assistance if required. There is also a standards committee that oversees this work. There is a gifts and hospitality book held for registering such things and all participants are required to declare any interests they might have that could conflict with their role as an officer or member of the Council. Each year all members and senior officers are required to sign a related party declaration.

## Appendix A - Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

#### Findings

How financial and performance information has been used to assess performance to identify areas for improvement

The S151 officer has overall statutory responsibility for the proper administration of the authority's financial affairs, including preparation of the Statement of Accounts and making arrangements for the appropriate systems of financial control.

Management continually monitor their finances, primarily against budget, with formal financial performance reviews taking place monthly which are reported and monitored within the finance department and the senior management team. Quarterly finance monitoring reviews take place which are then reported to Cabinet & the Scrutiny & Overview Committee. The finance report provides information on the revenue position each month along with their estimated projection and explanation for any variances.

The Council aim to meet their budget each year and make modifications throughout the year.

Quarterly performance reports are presented to Cabinet. Performance reporting arrangements allow performance monitoring and management to take place by providing opportunity to examine quality of service provision and progress against Business Plan actions and timescales, to identify any areas of concern and decide on the appropriate action.

KPI information is used to assess performance and where there is a shortfall these have been addressed. A good example is where the Council was missing the target on paying suppliers within 30 days. Work to identify particular areas of failure and raise awareness has improved this indicator significantly.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The 2020/21 Quarter 1 Performance report presents Cabinet with the Council's Quarter One (Q1) position regarding its operational Key Performance Indicators (KPIs) and, for the first time, 2020-25 Business Plan actions, for consideration and comment.

These performance reporting arrangements allow performance monitoring and management to take place by providing opportunity to examine quality of service provision and progress against Business Plan actions and timescales, to identify any areas of concern and decide on the appropriate action.

The Scrutiny & Overview Committee 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.

There are quarterly reports on key performance indicators that are considered by Scrutiny and Cabinet. Where an indicator is not being met remedial action if possible is recorded and where not possible explanation is provided.

The Internal Audit team were asked to review the planning performance for Quarter 2 of 2020 where they issued a limited assurance opinion. Similar review was performed by the Internal Audit for Quarter 2 of 2021 where they noted improvements from the previous review and provided Reasonable Assurance.

## Appendix A - Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

#### Findings

The Business Plan for the Legal Service, part of 3C Shared Services, for 2020/21 describes how the shared service arrangement outlined in the approved Business Case will be delivered to ensure objectives are achieved and business benefits are realised within a robust governance framework and in the context of the partner Councils' corporate plans.

In relation to partnership arrangements, the implementation of a "recharge model" for existing shared services has been a priority in order to ensure that recharges are fair and consistently applied and that taxpayers in one area are not subsidising services provided in another. This has resulted in an adjustment in the level of recharges that will be phased over a three year period. The adjustments result in a saving to the Council in 2020/2021 and this has been factored into the revenue budget.

Risk and opportunity management is embedded throughout the authority and in its partnership working arrangements. The Audit & Corporate Governance Committee is independent of the executive and scrutiny functions and embedded as a key part of the authority's overall governance framework. Its terms of reference are aligned to CIPFA's best practice standards for Audit & Corporate Governance Committees. The membership is politically proportionate.

The Finance Director, along with other key accounting personnel, monitors new and significant changes in financial reporting pronouncements and standards. A paper is presented to the Audit & Corporate Governance Committee for approval, discussing the changes and detailing the effect on the financial statements.

The Council has a formal risk register in place which identifies business risks, evaluates the significance of those risks and the likelihood of occurrence. The risk register is present to the Cabinet quarterly.

Internal Audit utilises this risk register to focus their programme throughout the year and report on the risks identified in each assignment

The Council works with a number of partners on different projects such as Community Health, Community safety, the Northstowe development with two investment partnerships. The Council has regular monitoring meetings which report to the leadership team, Cabinet or the Investment Governing Board (IGB) as appropriate. These forum's are able to hold the partnerships to account to ensure the delivery of objectives.



## Appendix A - Summary of arrangements (continued)

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### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

#### Findings

The Council continues to deliver any required savings through a mixture of service reviews, collaborative working, income generation and operational efficiencies. Supply of services to the Local Authority is governed by the Public Contract Regulations (PCR) 2015 and its Directives, UK Law and the Constitution of the Authority. This is supported by a procurement strategy which sets what the authority aim to achieve when they procure works, supplies and services. Significant contracts for the services provided are held in the Council's contract register.

The Council has a Procurement officer and an assistant who monitor all contracts and procurements ensuring that Council and procurement rules are adhered to. The Procurement Officer is fully qualified in his field and the Assistant is actively studying. Records are kept of savings achieved from the procurement process and where applicable other benefits are recorded.

The Council will analyse its expenditure and perform review to identify opportunities to rationalise suppliers, save money, increase competition, contract jointly with other public bodies, make use of collaborative contracts or otherwise contract more effectively.



# Appendix B - Fees - South Cambridgeshire District Council

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)".

\* For 2020/21 the PSAA increased the rate per hour for each audit grade by 25%.

Audit Fees - South Cambridgeshire District Council	Final Proposed Fee (Note 2)	Final PSAA approved Fee (Note 1)	Final Proposed Fee (Note 1)
	2020/21	2019/20	2019/20
PSAA scale fee	£40,021	£40,021	£40,021
Changes in work required to address additional professional and regulatory requirements and changes in scope associated with risk	£33,032	£10,795	£26,427
2020/21 Additional Procedures required in response to additional risks identified in the Audit Plan and other areas of audit work:			
• Significant Risk: Capital Accounting Entries	£29,392	£18,962	£23,479
• Significant Risk: Valuation of Investment Properties	£18,955	£9,970	£12,348
• Inherent Risk: COVID grant Accounting	£6,845	-	-
• Inherent Risk: Presentation and disclosure of accounting items	£24,858	£19,869	£19,869
• Area of Audit Focus: Going Concern	£5,106	£3,300	£4,086
• Group Consolidation	£6,225	£4,971	£4,971
• VFM - New NAO VFM Code and qualification in relation to Council's weaknesses in meeting financial reporting duties for publishing draft and audited accounts	£10,663	£3,569	£3,569
• Impact of March 2022 Triennial valuation	£3,423	-	-
• Response to national issue relating to Infrastructure Assets	£1,756	-	-
• Additional audit overruns & delays	£88,182	£76,379	£76,379
• Other 2019/20 specific risk fees (NDR appeals provision and Impact of Covid-19)	-	£5,445	£5,445
<b>Total additional Fee</b>	<b>£228,437</b>	<b>£153,260</b>	<b>£176,573</b>
<b>Total Fees (*All fees exclude VAT)</b>	<b>£268,458</b>	<b>£193,281</b>	<b>£216,594</b>



## Appendix B - Fees - South Cambridgeshire District Council Relationships, services and related threats and safeguards

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**Note 1:** Following completion of the 2019/20 audit we submitted a proposed additional fee of £176,573 to PSAA. This relates to proposed uplifts to the base scale fee due to increased regulatory requirements as well as additional work in 2019/20 in respect to the risks and additional areas of audit work as detailed in the table on the previous page. PSAA Ltd determined, with agreement from the Council, a final additional fee for 2020/21 of £153,260.

**Note 2:**

For 2020/21 the PSAA increased the rate per hour for each audit grade by 25%.

The scale fee for 2020/21 will again be impacted by the increased regulatory requirements and our proposed uplifting of the base scale fee. An increased fee is also proposed for additional audit procedures required to respond to the risks identified and other additional areas of work as detailed in the table on the previous page which are not reflected in the PSAA scale fee. The proposed additional fee is yet to be discussed with management and remains subject to determination by PSAA.

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# South Cambridgeshire District Council

Report to the Strategy to the Audit and  
Corporate Governance Committee - **DRAFT**

Preliminary External Audit Strategy for the year  
ending 31 March 2024

16 May 2024

# Introduction

## To the Audit Committee of South Cambridgeshire District Council

We are pleased to have the opportunity to meet with you on 16 May 2024 to discuss our audit of South Cambridgeshire District Council (“the council”) for the year ending 31 March 2024. The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this plan will remain draft until the finalisation of that Code.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice.

This report outlines our initial audit strategy as our risk assessment work and audit handover from predecessor auditors is ongoing. We will communicate our full Audit Plan and Strategy to your July/August meeting. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

Contents	Page
Overview of planned scope including materiality	3-4
Significant risks and Other audit risks	5-6
Mandatory communications	7-8
Appendix	12

## The engagement team

Andrew Cardoza is the engagement Director on the audit. He has more than 25 years of Public sector audit experience across Infrastructure, Healthcare and Local Government.

Other key members of the engagement:

- Debbie Stokes (Senior Manager);
- Arpit Saraf (Audit Manager); and
- Shaniah Wilkes (Assistant Manager).

Yours sincerely,



**Andrew Cardoza**  
Director, KPMG LLP

16 May 2024

## How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define ‘audit quality’ as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

## Restrictions on distribution

This report is intended solely for the information of those charged with governance of South Cambridgeshire District Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

# Overview of planned scope including materiality

## Our materiality levels

We determined materiality for the entity's financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure (using prior year draft accounts) which we consider to be appropriate given the sector in which the entity operates and financing structure, and the focus of users.

We considered qualitative factors such as business environment, financing and debt arrangements when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality. Our assessment of this risk is based on a number of factors that includes findings from our risk assessment procedures. We will communicate this threshold as part of our Audit Plan and Strategy report.

## We will report misstatements to the Audit and Corporate Governance Committee including:

- Corrected and uncorrected audit misstatements above £90,500.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item such as misstatements in senior officer's remuneration.

## Control environment

The impact of the council's control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised in the previous year and management's response to those findings.

## File review

We will undertake an appropriate prior year file review of the predecessor auditor and update our materiality considerations where and/or if necessary as a result.

## Group and Council Materiality

### Council

Materiality for the financial statements as a whole

**£1.8m**

(2% of expenditure)

We will report group materiality in due course.



# Overview of planned scope including materiality (cont.)

## Timing of our audit and communications

- We will maintain communication led by the engagement partner and senior manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in May 2024 where we present our draft audit plan outlining our audit approach and discuss management’s progress in key areas.
- Audit and Corporate Governance Committee meeting on 16 May 2024 where we present our initial audit strategy.
- Audit and Corporate Governance Committee meeting in July 2024 where we present our final audit plan and strategy following conclusion of our risk assessment procedures by July 2024.
- Status meetings with management, where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues.
- Post discussions with management, we will aim to deliver a 2023/24 audit opinion by the end of January 2025.
- Closing meeting with management in December 2024/ January 2025 where we discuss the auditor’s report and any outstanding deliverables.
- Audit and Corporate Governance Committee meeting in December 2024/January 2025 where we communicate audit misstatements and significant control deficiencies.
- Biannual private meetings can also be arranged with the Committee chair if there is interest.

## Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
<b>Internal Audit</b>	We will review the work of internal audit as part of our risk assessment procedures but will not place reliance on their work.
<b>KPMG Real Estate Valuation Centre of Excellence</b>	We will use KPMG valuation specialists to support our assessment of the surplus assets held at fair value by the Council. KPMG’s Real Estate Valuation Centre of Excellence will also support our work over the other valuations undertaken by the Council.
<b>KPMG Actuarial Specialist</b>	We will use KPMG Actuarial specialists to evaluate the assumptions used as part of the valuation of the Council’s gross pension liability.



# Audit cycle & timetable

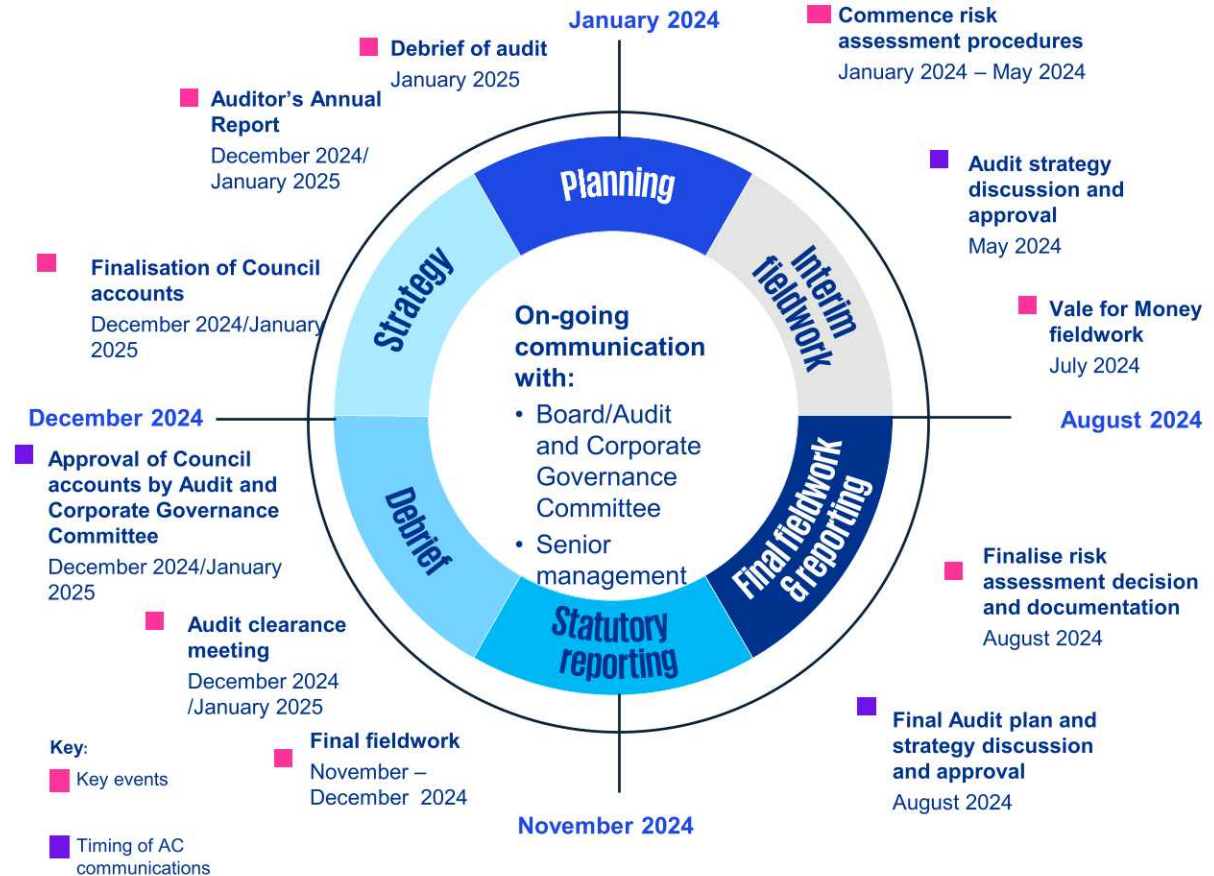
## Our schedule

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by 31 December 2024.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Council at the planning stage. This will not be required in future years and may change our audit timings.

Given the large amount of consultation happening in regard to the scope and timing of local government audit **this schedule is subject to change.**



# Significant risks and other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which South Cambridgeshire District Council operates.

We also use our regular meetings with senior management to update our understanding and take input from component audit teams and internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit and Corporate Governance Committee.

## Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

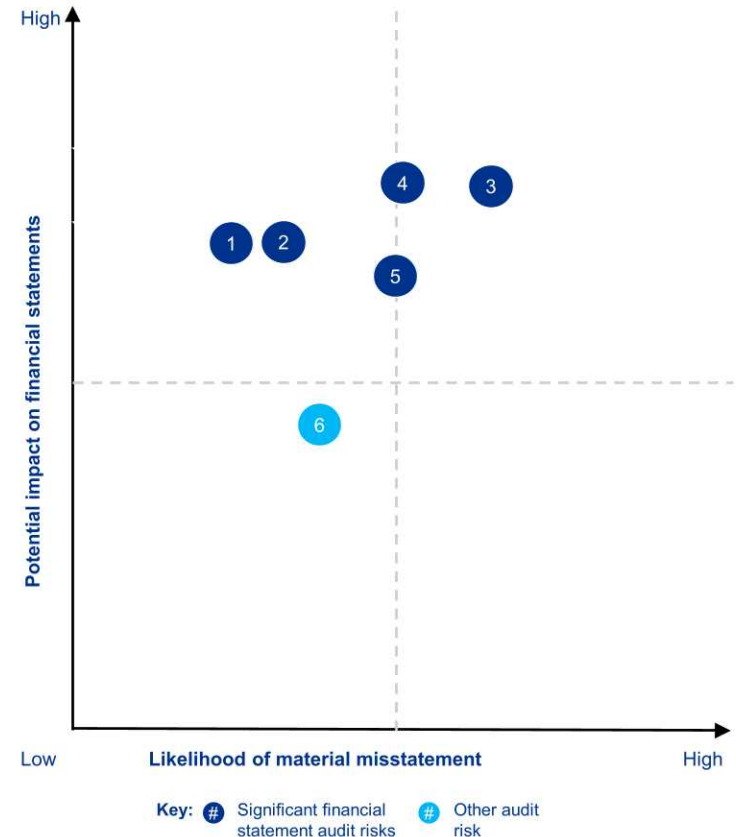
We are yet to complete our VFM risk assessment and this will be reported to a future Audit and Corporate Governance Committee however we have begun a series of meetings with Executive Directors to understand the risks within their areas of operation at the Council.

### Significant risks

1. Valuation of land and buildings
2. Valuation of investment properties
3. Valuation of post retirement benefit obligations
4. Management override of controls
5. Expenditure recognition

### Other audit risks

6. Preparation of Group Accounts








# Mandatory communications - additional reporting

## Going concern

Under NAO guidance, including Practice Note 10 a local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern. However, financial sustainability is a core area of focus for our Value for Money opinion.

## Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses.

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Page 51

**Key** Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily



We have identified issues that we may need to report



Work is completed at a later stage of our audit so we have nothing to report



# Mandatory communications

Type	Statements
<b>Management’s responsibilities (and, where appropriate, those charged with governance)</b>	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
<b>Auditor’s responsibilities</b>	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
<b>Auditor’s responsibilities – Fraud</b>	<p>This report communicates how we plan to identify, evaluate and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
<b>Auditor’s responsibilities – Other information</b>	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
<b>Independence</b>	<p>Our independence confirmation at page 15 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.</p>

# Value for money risk assessment

Page 53

Our Approach

# Value for money

**For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.**

Our responsibility is to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following pages.

## Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

## Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of your previous auditor's recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

### Financial sustainability

*How the body manages its resources to ensure it can continue to deliver its services.*

### Governance

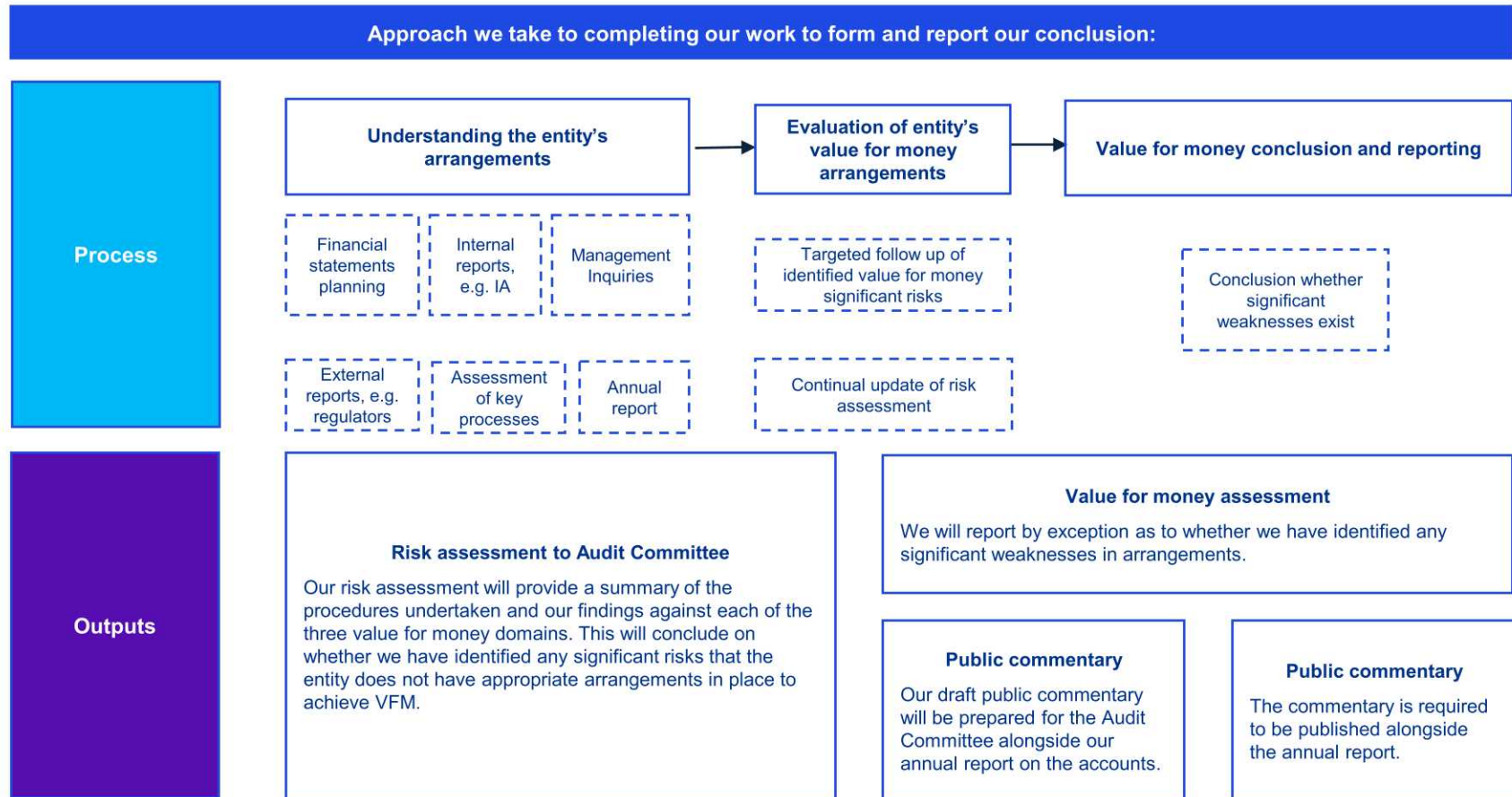
*How the body ensures that it makes informed decisions and properly manages its risks.*

### Improving economy, efficiency and effectiveness

*How the body uses information about its costs and performance to improve the way it manages and delivers its services.*

# Value for money

Page 55



**We will report the outcome of our VFM risk assessment in due course and we will provide our full risk assessment at a future Audit Committee.**

# Appendix

<b>A</b>	Audit team	13
<b>B</b>	Fees	14
<b>C</b>	Confirmation of independence	15-16
<b>D</b>	KPMG's Audit quality framework	17



# Audit team

Your audit team has been drawn from our specialist public sector audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.



**Andrew Cardoza** is the director responsible for our audit. He will lead our audit work, attend the Audit and Corporate Governance Committee and be responsible for the opinions that we issue.



**Debbie Stokes** is the senior manager responsible for our audit. She will co-ordinate our audit work, attend the Audit and Corporate Governance Committee and ensure we are co-ordinated across our accounts and value for money work.



**Shaniah Wilkes** is the in-charge responsible for our audit for the second year. She will be responsible for our on-site fieldwork. She will complete work on more complex section of the audit.

Page 57

In addition our KPMG team in the UK is supported by colleagues from India – namely: **Arpit Sarraf** – Manager

To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be the Director's first year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.

# Fees

## Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2021/22 (£'000)
Statutory audit	165	*
ISA315r	TBC	
ISA240	TBC	
<b>TOTAL</b>	<b>165</b>	

*\*fee charged by EY as predecessor auditor (not yet finalised).*

As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud. The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

## Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

## Basis of fee information

Our fees are subject to the following assumptions:

- The South Cambridgeshire District Council's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit;
- Supporting schedules to figures in the accounts are supplied;
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

# Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

To the Audit and Corporate Governance Committee members

## Assessment of our objectivity and independence as auditor of South Cambridgeshire District Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

The conclusion of the audit engagement partner as to our compliance with the FRC Ethical Standard in relation to this audit engagement is subject to review by an engagement quality control reviewer, who is a director not otherwise involved in your affairs.

### Independence and objectivity considerations relating to the provision of non-audit services

#### *Summary of non-audit services*

There are no non-audit services applicable.

# Confirmation of Independence

## Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

### Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0 : 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	165
Other services	-
<b>Total Fees</b>	<b>165</b>

### Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that for the year 2023/24 we were not providing any non-audit or additional services that are required to be grandfathered.

## Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Corporate Governance Committee.

## Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Corporate Governance Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully



**KPMG LLP**

# KPMG's Audit quality framework

**Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.**

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

Page 61

## ■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

## ■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

## ■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



## ■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

## ■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

## ■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists



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# Agenda Item 8



**South  
Cambridgeshire**  
District Council

<b>Report to:</b>	Audit and Corporate Governance Committee	16 <sup>th</sup> May 2024
<b>Lead Officer:</b>	Head of Shared Internal Audit	

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## Annual Governance Statement and Local Code of Governance

### Executive Summary

1. This report presents the draft Annual Governance Statement (AGS) for 2022/2023, for approval by the Audit & Corporate Governance Committee.
2. The purpose of this report is to provide an update on the Annual Governance Statement, and the Local Code of Corporate Governance.

### Key Decision

3. No

### Recommendations

4. Members of the committee should approve the Annual Governance Statement in advance of the Statement of Accounts. To help complete this, members should note:
  - the arrangements for compiling, reporting on and approving the AGS; and
  - the review of effectiveness

If there are any material changes during the audit process the Committee will be updated with a revised version.

### Reasons for Recommendations

5. The Accounts and Audit Regulations and the CIPFA guidance establishes that the committee should approve the Annual Governance Statement (AGS).

## **Details**

### **Scope of the AGS**

6. Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities and includes those designed to ensure that:
  - The Council's policies are implemented in practice;
  - High quality services are delivered efficiently and effectively;
  - The Council's values and ethical standards are met;
  - Laws and regulations are complied with;
  - Required processes are adhered to;
  - Its financial statements and other published information are accurate and reliable; and
  - Human, financial and other resources are managed efficiently and effectively.

### **Arrangements for compiling the AGS**

7. The Accounts and Audit Regulations require the Council to review its governance arrangements and prepare an AGS to accompany the Statement of Accounts. The AGS should communicate how we are complying with our Local Code of Governance.
8. 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.
9. Arrangements for compiling the AGS have been coordinated through Internal Audit, with input from the stakeholders and colleagues.
10. Assurances from the work of the Internal Audit team have been reviewed and have been used to inform the AGS. A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
11. The AGS should communicate how we are complying with our Local Code of Governance.



## Arrangements for reporting on and approving the AGS

12. The Accounts and Audit regulations require the Committee to approve the AGS. The AGS should reflect the governance matters from the relevant financial year, plus up to the date when the accounts are signed.
13. Completing the AGS enables the Council to document what has happened in the financial year, through the Review of Effectiveness, and conclude how we have complied with our Code of Governance.
14. The draft 2022/2023 AGS is included as Appendix A to this report. In previous years the AGS has been part of the Statement of Accounts. This version has been hyperlinked in the 2022/2023 Statement of Accounts, presented later on the agenda.
15. The draft AGS is issued to the External Auditors to review as part of the draft Statement of Accounts and was [published on our website](#).
16. Members of the Committee should approve the AGS in advance of the Statement of Accounts, and we have included a separate agenda item to reflect this.
17. Any material governance changes or events, arising between the report date and the conclusion of the Statement of Accounts, may need to be recorded in the 2022/2023 AGS if relevant. For example, we reflect both the Best Value Notice, and the impact of significant global events in this document.
18. In October 2023 the [Public Sector Audit Appointments](#) highlighted a cumulative backlog of 918 delayed audit opinions in the Local Government sector. There is currently uncertainty about the process and timing of external audit work and the impact this could have on approving the Statement of Accounts. Consequently, it is possible that further amendments may be required to this document following consultation and review by the externally appointed auditors. Historically any changes between the draft and final versions of the AGS have been minor. If there were any further material changes, we would update the Committee.
19. It is anticipated that the external auditor will still provide a final report, with a Value for Money conclusion which reflects the content of the Annual Governance Statement. Due to the uncertainty over timescales, it makes good sense to present the AGS to the Committee with the Statement of Accounts.

## Local Code of Corporate Governance

20. The preparation of the AGS and the Council's Local Code of Governance is undertaken in accordance with the guidance published by CIPFA. The guidance is intended to assist authorities in ensuring their own governance arrangements are suitably resourced, there is sound and inclusive decision making and there is clear accountability for the use of resources to achieve the desired outcomes for stakeholders.
21. Guidance recommends each local authority should develop and maintain a Local Code of Corporate Governance based on seven core principles, supported by supporting principles that should underpin the governance structure for the whole Council.
22. The Code stands as the overall statement of the Councils corporate governance principles and commitments, and is published on [our website](#).
23. The Code is regularly reviewed and updated. We recently reported the code to the Committee on 23<sup>rd</sup> January 2024, and consequently there has not been much change. Recent updates have been recorded as tracked changes included with this report – Appendix B.
24. We have included a diagram to illustrate our assurance channels. This is a high-level assurance map, based on the professionally recognised “three lines of defense” model. Both the LGA and CIPFA are developing guidance on assurance mapping and we will probably reflect this in future versions of our Code of Governance.
25. The Code includes the Seven principles of public life, as it applies to anyone who works for local government and supports good governance.

## **Options**

26. The AGS reflects events from the 2022/2023 Financial Year, and significant events up to the current date. Members are invited to comment on the contents prior to approval in advance of the Statement of Accounts.

## **Implications**

27. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, there are no significant implications or risks.

## **Alignment with Council Priority Areas**

28. The Annual Governance Statement considers all of the Council Priority Areas.

## **Background Papers**

29. Background papers used in the preparation of this report:
- Delivering Good Governance in Local Government (CIPFA 2016)
  - Accounts and Audit (England) Regulations 2015
  - CIPFA good practice guidance on AGS presentation

## **Appendices**

Appendix A: Annual Governance Statement 2022/2023

Appendix B: Local Code of Governance

## **Report Author:**

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# Covering Note

This is a covering introduction for the **Annual Governance Statement 2022/2023 (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 both events in the relevant financial year, plus significant governance matters up to when the Accounts are approved by Committee.

The final version of the 2020/2021 AGS is expected to be approved as part of the statement of Accounts in November 2023. Due to the additional time needed to approve the Statement of Accounts it is possible that further amendments may be required to this document following, consultation and review by the externally appointed auditors.

This document will continue to be developed during this period and updated on our website.

Despite the delay to the 2020/2021 Statement of Accounts being approved and the impact on this AGS being produced, it is still a good opportunity for the Council to reflect on what has happened in the financial year, through the Review of Effectiveness.

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 2022/2023



## 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

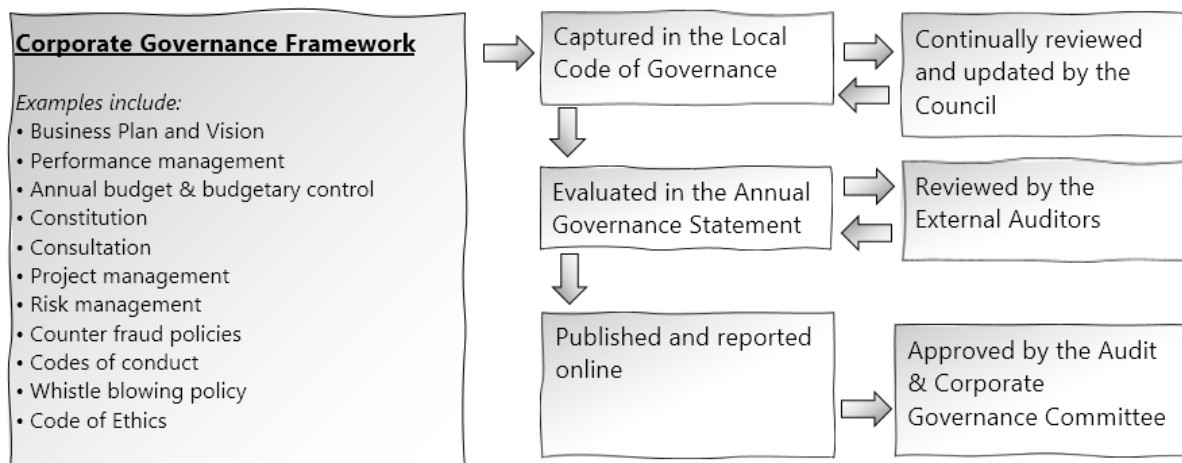
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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 2022/2023 financial year supports the Council aims and objectives, which are published on [our website](#)<sup>1</sup>.



The Council produces a [Business Plan](#)<sup>2</sup> which sets out four Priority Areas, with specific and measurable actions, “Putting the heart into South Cambridgeshire by”:

- Growing local businesses and economies
- Housing that is truly affordable for everyone to live in
- Being green to our core
- A modern and caring Council

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

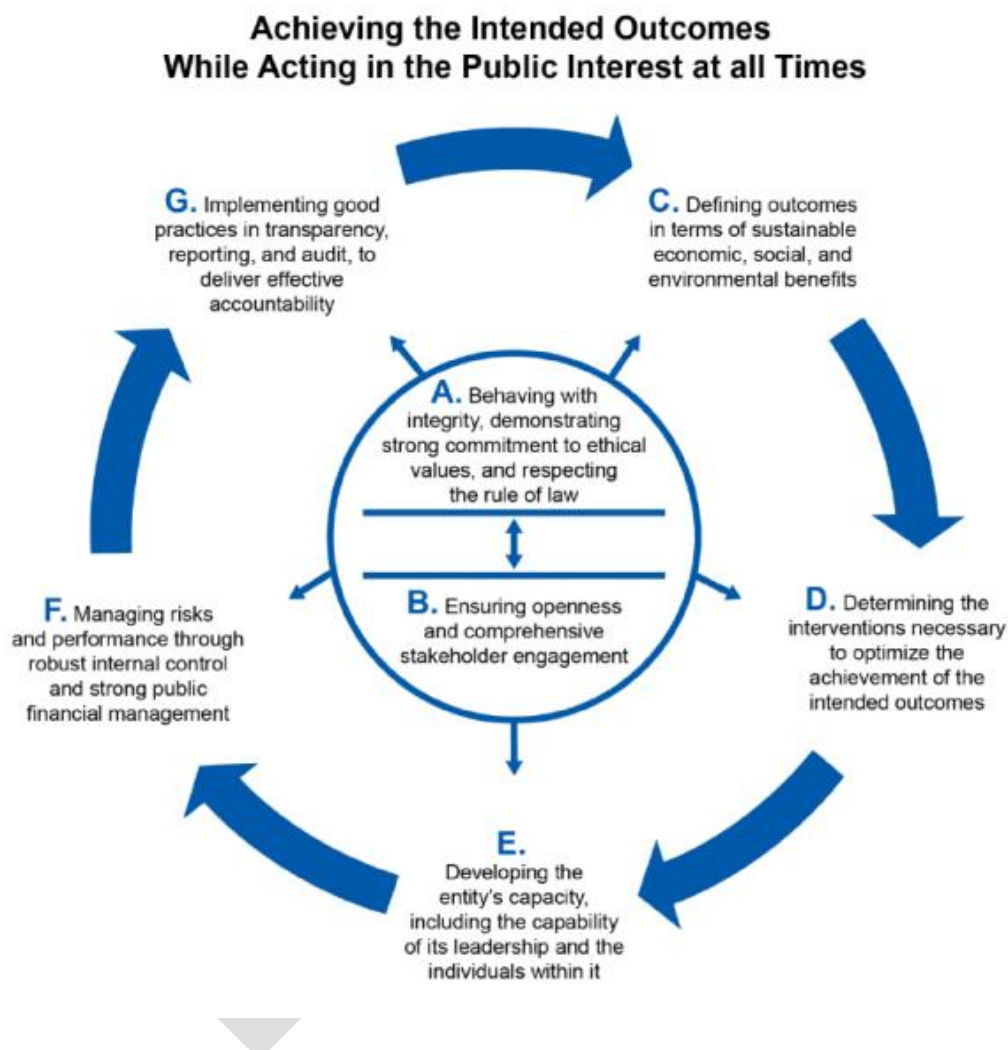
<sup>1</sup> <https://www.scambs.gov.uk/your-council-and-democracy/performance-and-plans/>

<sup>2</sup> <https://www.scambs.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 has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the statement of accounts. It is recorded in our [Local Code of Governance](#), which was reviewed by our Audit & Corporate Governance Committee in January 2023. Our code 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:





## 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
<a href="#">Council</a>	Council agrees the budget and policy framework, such as the Corporate Plan, Medium Term Financial Strategy.
<a href="#">Cabinet</a>	This is the Council's principal decision-making body charged with implementing the budget and policy framework agreed by Council.
<a href="#">Leadership Team</a>	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.
<a href="#">Audit and Corporate Governance Committee</a>	<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.</p>
<a href="#">Civic Affairs Committee</a>	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 Council's Code of Conduct.
<a href="#">Scrutiny and Overview committee</a>	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. The committee also has an overview function in which it considers matters that may affect South Cambridgeshire and decides whether the Council is appropriately responding to these issues. It works closely with external organisations to come up with solutions to these problems and provide recommendations that will improve Council services.

## **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 Audit & Corporate Governance 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 2022/2023. 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.

The audit reviews undertaken did not identify any unmanaged risks that, if materialised, would have a major impact on the organisation as a whole. If the reviews identified the control environment was not strong enough, or not complied with sufficiently to prevent risks, Internal Audit 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 2022/2023, 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 South Cambridgeshire District 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 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 2022/2023 will be presented to the Audit & Corporate Governance committee once the work is concluded.

EY have most recently issued an “unqualified” audit opinion on the financial statements which provided assurance for the 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 of the consecutive years that the Authority has been unable to prepare and publish its accounts by the dates outlined in the Accounts and Audit Regulations.

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, and we must demonstrate that the requirements of the code are being satisfied. An Internal Audit review has provided assurance that we are compliant with the code.

## Challenges to Local Authority Governance

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Significant events have the potential to affect our governance, risk and control environment. Immediate impacts could include the Council's decision-making processes, risk management, and the overall capacity and capability of the Council. In the longer term it can also impact our strategic outcomes, financial and organisational resilience, stakeholder engagement and accountability.

### Significant events

The financial year 2022/2023 was another year of change and turbulence for many people and organisations in the South Cambridgeshire District, in the face of a complex and intertwined set of circumstances. Following the upheaval and tragedy of the global pandemic across the previous two years, 2022/2023 saw war break out in mainland Europe, leading to hundreds of thousands of people fleeing the tragic situation there and exacerbating energy supply and price shocks. The Cost-of-Living crisis saw many of our residents deeply affected by the impact of inflation, high mortgage costs and other related issues.

In response we implemented mitigating measures through our business continuity framework, with continuous risk management, and proactively worked with our stakeholders, partners and customers. Our committee reports illustrate how it was an exceptional year and highlights how council services continued to adapt, seeking new ways of working – including with communities and partners - to deliver the services that are important.

The continued pressures illustrate how important 'good governance' has been to enable and sustain a whole system response. It has highlighted the systemic risks beyond the Council's 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.

## **Transformation and new ways of working**

The Council has significantly changed the way it works as a result of the Covid-19 pandemic, with an increase in the use of technology, more flexible working, and more home working, all while maintaining standards across frontline services for residents and businesses. We are however still faced with recruitment challenges across a range of services, and an increasingly challenging financial environment.

The need to continue to develop new ways of working that will protect services to residents and businesses, whilst maintaining a motivated and highly productive workforce has led to a proposal to trial a four-day week.

Our [four-day week trial](#) is helping to deliver changes to services that have not been possible in the past. This new model of working that we are trialling, creates a social contract between our officers and the Council with an aim of ensuring our services are maintained and improved where possible.

Cabinet approved a proposal to trial a four-day week at the Council, running from January to March 2023, and preceded by a planning period of three months. The proposal considered potential risks of innovating a new way of working, such as adverse publicity, short term disruption and dissatisfaction from those not involved in the trial.

In March 2023 Cabinet confirmed the arrangements for the next steps of the Four-Day Week Trial, to ensure clarity around the process of reviewing the first trial and considering the next steps.

In May 2023 Cabinet [approved an extension to the trial](#), up until March 2024, in order to assess the impact on recruitment and retention, with regular reports on progress being submitted to Employment & Staffing Committee during 2023/2024 and a final report to Cabinet and Council at the end of the extended trial period. Cabinet also approved a three-month trial for Facilities Management colleagues at South Cambs Hall.

The trial has attracted scrutiny, publicity and debate since its launch. In November 2023 the Department for Levelling Up, Housing and Communities issued a [Best Value Notice](#) to the Council. The department expects authorities to identify and implement arrangements to secure continuous improvement. The Notice is a request that we engage with them to provide assurance of improvement (and was not issued using any legislative powers). Consequently, we are providing them with information about the impact of the trial and productivity.

We have continued to keep our customers and stakeholders updated about the trial on the [Council website](#).

## **Impact on our governance arrangements**

We have proactively taken action to meet these challenges. This has positively contributed to many of the principals from our Local Code of Governance, such as engaging with stakeholders, determining interventions to achieve outcomes, managing risk, and adapting our internal controls.

## Review of effectiveness

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The Council records policies and procedures, and ongoing good practice, in our [Local Code of Governance](#). These are mapped to the seven principles of good governance. We have 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.


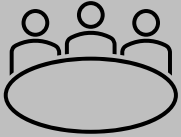
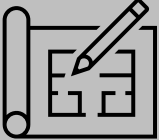
The effectiveness of the key elements of the governance framework is reviewed throughout the year. This activity is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, comments received 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 leasing company [Shire Homes](#) which looks to house vulnerable adults and families into short term let accommodation. Activities of the groups are also reflected in our review of effectiveness where these have a significant impact on our governance arrangements.


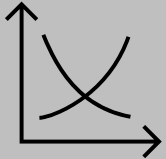
The 2021/2022 and 2022/2023 Statement of Accounts was not concluded by the statutory deadline, due to the delay in the previous 2020/2021 Statement of Accounts, and the Annual Governance Statement must be approved in advance of the Statement of Accounts. As good practice the Council is also reporting items up to the date that the Statement of Accounts is concluded. As they relate to the next financial year, they may also feature in the next AGS too.

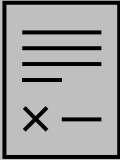
Our review concludes that the Council has complied with its Code. Additional examples of good practice, emerging controls, and governance issues from the last twelve months, considered when completing the review are recorded below, and may be incorporated into the next revision of the Code where appropriate:

Principle	Review of effectiveness
<p>A Behave: integrity, ethical values, respect rule of law</p> 	<ul style="list-style-type: none"> <li>• Our Greater Cambridge Shared Planning Service reviewed their planning enforcement activities. The review included combining the enforcement policies of both Cambridge City Council and South Cambridgeshire District Council into one united Compliance Policy, and this was adopted by Cabinet.</li> <li>• We completed a periodic review of our Whistleblowing Policy, and this was approved by the Audit and Corporate Governance Committee.</li> </ul>
<p>B Openness &amp; stakeholder engagement</p> 	<ul style="list-style-type: none"> <li>• Cabinet noted the representations made to the Greater Cambridge Local Plan First Proposals (Preferred Options) consultation and agreed to adopt the updated Local Development Scheme for Greater Cambridge.</li> <li>• Cabinet agreed the consultation responses to the draft Cambridgeshire and Peterborough Local Transport &amp; Connectivity Plan; the Anglian Water Drainage and Waste Water Management Plan 2022; and a joint response with Cambridge City Council on the Draft Regional Water Resources Plan.</li> </ul>
<p>C Defining outcomes - economic, social, environmental</p> 	<ul style="list-style-type: none"> <li>• Council approved the <a href="#">Business Plan Action Plan for 2023-24</a>. The updated version of the Plan aimed to provide clear priorities that will ensure that the Council could easily monitor the progress and delivery of the agreed actions.</li> <li>• Cabinet endorsed the Biodiversity Net Gain proposal as an interim approach of guiding principles for siting biodiversity net gain for developments within South Cambridgeshire.</li> <li>• We have undertaken initiatives to revise savings and make environmental contributions, including greening of South Cambridgeshire Hall, provision of electric refuse vehicles and the constructing a solar panel array to power these vehicles at the Waterbeach depot.</li> <li>• Councillors debated various topics including updates on the OxCam Arc, Public Transport, Sustainable Travel Charging, Chalkstreams and pollution.</li> <li>• Council agreed to approve additional funding for the Northstowe Phase 1 community buildings of £1.53m for the Sports Pavilion and £6.5m for the Community Building funded from Capital Receipts</li> </ul>

Principle	Review of effectiveness
<p data-bbox="163 225 562 284">D Determine interventions to achieve outcomes</p> 	<ul style="list-style-type: none"> <li data-bbox="651 225 2063 392">• We developed a team to support Ukrainian guests and their hosts, and established an <a href="#">online welcome pack</a> for new arrivals. The Council kept hosts and guests in South Cambridgeshire connected with regular bulletin updates, alongside a dedicated <a href="#">web-page</a>, and dedicated Facebook pages for <a href="#">Hosts, guests</a> and <a href="#">young people</a>. After one year of the invasion of Ukraine the Council had welcomed approximately 800 refugees, which was the largest number for any district in the country.</li> <li data-bbox="651 411 2063 746">• The Council agreed a motion to declare a Cost-of-Living Emergency in September 2022. We have been supporting residents by giving advice in our quarterly publication, South Cambs Magazine, highlighting support provided by Cambridgeshire County Council and the Cambridgeshire Home improvement Agency. We also provided a <a href="#">Cost of Living Support page on our website</a> to help local people find immediate support with food poverty, housing, debt, energy bills, transport, unemployment and health and wellbeing, whilst also signposting to grants and loans to help improve the energy efficiency of their homes. We partnered with Cambridgeshire ACRE in the <a href="#">provision of warm hubs</a> in the District. Cabinet reviewed <a href="#">packages of support for residents</a> throughout the winter and approved the priorities and allocated funding during the cost-of-living crisis. In March 2023 Cabinet approved revised priorities, and further £206,000 funding, to support local communities during the ongoing cost-of-living-crisis.</li> <li data-bbox="651 766 2063 863">• Council approved updates to the New Build Council Housing Strategy 2020-25, including Setting the target annual completions for 2023-24 and 2024-25 at 75 homes per year; and increasing the modelling period for payback from 35 to 45 years.</li> <li data-bbox="651 882 2063 1019">• The Council agreed to procure a modular building for the <a href="#">interim community facility</a> on Council owned land in Northstowe, and approved an annual revenue budget for budget years 2023-2026 to cover the net costs of running the interim facility. We promoted the <a href="#">modular installation</a> with an online video and the community centre opened in July 2023.</li> <li data-bbox="651 1038 2063 1102">• Cabinet approved the Minimum Energy Efficiency Standards Policy which are used for enforcement of standards in private sector housing.</li> </ul>



Principle	Review of effectiveness
<p>E Develop capacity and capability of entity</p> 	<ul style="list-style-type: none"> <li>• Cabinet supported initiatives to help our recruitment and retention, and demonstrate we are a modern and caring council. Cabinet approved the introduction of the <a href="#">Hybrid Working Policy</a>, which will allow us to continue to meet our residents needs while also accommodating the needs and wellbeing of our employees, and the increased flexibility that the modern workforce expects. Cabinet also approved a proposal to trial a four-day week at the Council. Regular updates were reported to our <a href="#">Employment and Staffing Committee</a>, such as Retention and Turnover reports and our <a href="#">Pay Policy Statement</a>.</li> <li>• Council agreed to amend the Constitution to allow for the appointment of Political Assistants</li> <li>• Council approved to appoint a new Monitoring Officer from May 2023.</li> <li>• Council endorsed South Cambridgeshire District Council Cabinet's intention to confirm its membership of the Oxford to Cambridge Partnership as it becomes formally recognised and funded by Government as a Pan-Regional Partnership (PRP) and the appointment of the Leader as the Council's representative on the PRP.</li> <li>• Council approved a reallocation of seats on committees following a change of political group membership (as a result of all-out elections in May 2022).</li> <li>• Members of the Audit &amp; Corporate Governance Committee discussed governance developments, noted that the Chartered Institute of Public Finance and Accountancy (CIPFA) would be issuing revised guidance on effective committees, and it was expected that independent members would become mandatory. Members attended training sessions, such as Treasury Management.</li> </ul>
<p>F Manage risk &amp; performance, internal control, finance</p> 	<ul style="list-style-type: none"> <li>• The Audit and Corporate Governance Committee received and noted a report providing an update about changes to managing risk data and reporting, the recent review of corporate risks, and a <a href="#">summary of current strategic risks</a>.</li> <li>• The Council had recently received Domestic Abuse Housing Alliance (DAHA) accreditation, which demonstrated the authority's commitment to safeguarding.</li> </ul>

Principle	Review of effectiveness
<p data-bbox="163 225 566 284">G Transparency, reporting, audit, accountability</p> 	<ul style="list-style-type: none"> <li data-bbox="651 225 2063 320">• The Audit &amp; Corporate Governance Committee received updates on the Statement of Accounts progress. The 2018/19 final accounts had been completed on 29 March 2022 and an unqualified opinion on the accounts have been issued by the auditors.</li> <li data-bbox="651 344 2063 440">• In December 2022 the Audit and Corporate Governance Committee received and noted a report providing an update about 2018-19 audit fees, the 2019-20 final accounts audit, and preparation for the 2020-21 final accounts audit.</li> <li data-bbox="651 464 2063 632">• In January 2023 EY presented a report, which summarised their audit of the Council's accounts for 2019/20. They explained the audit was substantially complete, subject to a small number of errors that needed to be adjusted. They thanked officers for their assistance during the work of the audit and stated that there had been a marked improvement in the Council's processes for liaising with auditors and responding to queries.</li> <li data-bbox="651 655 2063 679">• In January 2023 the Audit &amp; Corporate Governance Committee reviewed the draft accounts for 2020/2021.</li> <li data-bbox="651 703 2063 759">• In February 2023 the Audit &amp; Corporate Governance Committee approved the audited Statement of Accounts for 2019/2020</li> <li data-bbox="651 783 2063 951">• The Annual Governance Statement 2019/2020 was approved in advance of the Statement of Accounts, as required by legislation. The Audit &amp; Corporate Governance Committee reviewed this and noted that further changes may be made up to the date that the Accounts are approved, and that contents and actions may span across statements in the following years as a result. The Local Code of Governance was also reviewed.</li> <li data-bbox="651 975 2063 1070">• In January 2023 the Audit &amp; Corporate Governance Committee approved the Annual Governance Statement for 2020/2021. Working papers are prepared for the following years statements, and they will be published with the draft Statement of Accounts.</li> </ul>

## 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. Where we have identified opportunities for improvement, these are included in the Annual Governance Statement. We are satisfied that any 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 review.

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# Local Code of Governance



# Local Code of Corporate Governance

## Good governance

Good governance is about how the Council ensures that it is doing the right things, in the right way, for the communities it serves, in a timely, inclusive, open, honest and accountable manner.

A Council's Code of Corporate Governance is:

*"The system by which local authorities direct and control their functions and relate to their communities"*

## Our commitment

South Cambridgeshire District Council is committed to upholding the highest possible standards of good corporate governance, believing that good governance leads to high standards of management, strong performance, effective use of resources, increased public involvement and trust in the Council and ultimately good outcomes.

Good governance flows from shared values, culture and behaviour and from systems and structures. This Code of Corporate Governance is a public statement that sets out the framework through which the Council meets its commitment to good corporate governance.

The Governance Framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, 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.

This local code of governance has been developed in accordance with and is consistent with the Delivering Good Governance in Local Government framework, which builds on the seven Principles for the Conduct of Individuals in Public Life.

## Core principles of good governance

The core governance principles of the council are:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

# Applying the core principles of good governance

This document describes how the Council achieves the seven principles of good governance and describes how the Council’s corporate governance arrangements will be monitored and reviewed.

## Achieving the Intended Outcomes While Acting in the Public Interest at all Times



This Code takes each of the principles of good governance in turn and sets out the systems, processes and principles the Council has put in place to ensure good corporate governance.

The Code will be reviewed annually through the Annual Governance Statement process, which will identify the actions to be taken to enhance the code or address any limitations with in it.

## Principle A – Behaving with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

### Supporting Principles:

- Behaving with integrity
- Demonstrating strong commitment to ethical values
- Respecting the rule of law



	How does the Council achieve this?	Supporting examples
Page 88	<p>1 The Council expects the authority's leadership – both Members and Officers - to create a climate of openness, support and respect and to uphold the Council's values.</p> <p>The Council operates within the legal framework for local councils complying with its statutory duties and making the most of its powers to meet the needs of the District and its residents.</p> <p>Standards of conduct and personal behaviour are set out in the Employee Code of Conduct, the Member Code of Conduct and in the Member/ Officer protocol.</p>	<p>Constitution</p> <p>Employee Code of Conduct</p> <p>Member Code of Conduct</p> <p>Member/Officer Protocol</p>
3	<p>An up-to-date register of Member and Officer Senior Officer Interests is maintained. The underlying principles which underpin the Codes of Conduct build upon the Seven Principles of Public Life (the Nolan Principles).</p>	<p>Register of Interests</p>
4	<p>The Council has an Ethical Handbook with protocols and guidance, which includes guidance on gifts, hospitality and sponsorship.</p>	<p>Ethical handbook</p>
5	<p>The Council has put in place procedures for considering complaints so that members of the public can express dissatisfaction with Council services and their concerns can be monitored and addressed. The Council has appointed two “independent persons” to support this, in accordance with the requirements of the Localism Act, 2011. It has a key performance measure for the timeliness of complaint responses.</p>	<p>Handling of complaints, comments and compliments policy</p>
6	<p>The Council's Civic Affairs Committee is responsible for constitutional issues and ensures that the constitution is monitored and updated when required. The terms of reference of the Civic Affairs committee include responsibility for advising on the Council's ethical framework and the promotion of openness, accountability and probity to ensure the highest standards of conduct.</p>	<p>Terms of Reference for Civic Affairs Committee</p>



7	The Council maintains a Whistleblowing policy to enable confidential reporting of suspected breaches of the Employee Code of Conduct or unethical behaviour. It also maintains an Anti-Fraud and Corruption Policy. Both policies are reviewed periodically by the Audit and Corporate Governance Committee.	Whistleblowing Policy Anti-Fraud and Corruption Policy
8	The Council's standing orders and financial regulations put in place processes designed to ensure that Members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.	Financial Regulations
10	The Council's has a Monitoring Officer, who is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.	<a href="#"><u>Constitution - Article 12: Functions of the Monitoring Officer-Role Description and Article 12 of Constitution</u></a>
11	The Council ensures that Statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.	Recruitment, selection and training policies
Page 39	The Council maintains Human Resources Behavioural Policies which are periodically reviewed.	Council Intranet (In-site) HR Policy pages
	The Council has a clear Procurement Strategy designed to meet the Council's wider objectives and Contract Regulations designed to deliver robust and fair procurement processes.	Procurement Strategy. Contract Regulations

## Principle B - Ensuring openness and comprehensive stakeholder engagement

Supporting Principles		
How does the Council achieve this?		Supporting Examples
	<ul style="list-style-type: none"> <li>• Openness</li> <li>• Engaging comprehensively with Institutional stakeholders</li> <li>• Engaging stakeholders effectively, including citizens and service users</li> </ul>	
1	The Council holds its meetings, and those of its committees and Cabinet Portfolio Holders in public unless there are good reasons for confidentiality, or a relevant exemption applies. The public are allowed to ask questions at all Council and committee meetings.	Committee Agendas Committee Forward Plan
2	The Council records the deliberation of scrutiny committees and the reasons for Executive and Regulatory decisions and makes agenda papers and minutes available on the Council's website. The Council also records and publishes on the website written questions asked at Council meetings and their answers, and oral questions and answers where these are available.	Agendas and Minutes of Committees
3	Officers use standard report templates for committee and executive reports to help ensure that readers are provided with information that is accurate, complete and unbiased. Reports make clear the options available so that the implications of all decisions and strategic risks can be assessed before those decisions are made.	Standard Report Templates
4	The Council has a Joint Planning Committee with Cambridge City Council for decisions affecting growth sites bordering both Councils.	Joint Planning Committee Terms of Reference
5	The Council has a clear understanding of the needs of the district, strategically and locally, gathered from an understanding of our communities and the wider sub-region; ability to 'drill-down' to contextualise data which, at district-level, may hide vulnerability	Business Plan

6

~~The Council uses local intelligence to shape services and partnerships e.g. Crime and Disorder Reduction Partnership.~~

The Council has valued engagement mechanisms in place e.g. Community forums, agents and parish forums, tenant participation ~~groups~~group, Cabinet/Parish liaison meeting.

The Council tailors its 'offer' to suit customer need e.g. Business Hub, Key Accounts, major developments, demand-led charging structures The Council uses local intelligence to shape services and partnerships e.g. Crime and Disorder Reduction Partnership.

7

The Council operates in accordance with principles of partnership working agreed with our key partner organisations.

8

The Council proactively leads local partnerships e.g., monthly multi-agency meetings to share intelligence and act on issues such as anti-social behaviour and fly-tipping

Page 91

The Council ensures that the authority is open and accessible to the community, service users and its staff.

10

The Council promotes the role of Councillors and lets the public know who the Councillors are, what roles they have on the Council and how to contact them.

11

The Council makes clear through its website and other Council publications the services that it is responsible for, how people can contact the Council and the service standards they can expect.

Website and engagement: Community, safety and health  
~~Position Statement – Case Studies~~

Cambridgeshire Compact

Community Safety Partnership meetings and strategic assessments  
~~Terms of Reference for multi-agency groups~~

Customer Service Standards

Council website - Members

Council website – Our Services

Council Tax information~~leaflet~~

South Cambs magazine

12	The Council undertakes surveys of residents to ensure that it has up to date information about their priorities and levels of satisfaction with the Council and its services.	Consultation Panel. Business plan annual consultation and engagement. Statement of Community Involvement
13	The Council's consultation programme ensures that the Council proactively seeks the views of a wide range of people and engages with all sections of the community effectively.	Regular consultations programme evidence on the website
14	The Council seeks to ensure all views are actively considered when making decisions, recognising that it is not always possible to reconcile conflicting viewpoints. The Council ensures it makes feedback available to consultees on the outcomes of consultation, what has changed as a result and explaining how it has reached decisions.	Cabinet reports.
15	The Council undertakes Equality Impact Assessments of all major policies and decisions and takes action to implement changes required, to ensure that council services and policies consider the diverse needs of its service users and citizens. It has an Equality Scheme covering all protected characteristics under the Equality Act 2010, containing commitments which are aligned to Business Plan objectives and reviewed annually.	Equality Implications section in standard report template. Equality Impact Assessments published on website Equality Scheme 2020-2024
16	The Council recognises two Trade Unions and holds regular liaison meetings involving the Chief Executive and Head of People and Organisational Development.	Trade Union Agreements

## Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits

Supporting Principles:		
<ul style="list-style-type: none"> <li>• Defining Outcomes</li> <li>• Sustainable economic, social and environmental benefits</li> </ul>		
	How does the Council achieve this?	Supporting Examples
1	The Council has a clear vision for the District and sets objectives to guide the Council's activities.	Vision
2	The Council Objectives are reviewed annually through Quarterly Position Report and the Business Plan and budget planning cycles.	Business Planning Cycle and associated guidance
3	The Council has a Medium-Term Financial Strategy to resource its aspirations and to assess and plan for any financial risks. The strategy is reviewed annually.	Medium Term Financial Strategy
4	The Council proactively contributes to key strategic partnerships, reflecting partnership objectives within its Business Plan where appropriate e.g., Health and Well-being, Greater Cambridge Partnership, and the Business Board of the Cambridgeshire and Peterborough Combined Authority (formally LEP).	Partnership objectives and websites <a href="#">Council updates on The Business Board of the Cambridgeshire and Peterborough Combined Authority</a>
5	The Council has a Corporate Asset Plan which sets out 6 clear priorities to ensure that the Council acts as a responsible landlord, landowner and partner dedicated to ensuring public services are delivered efficiently and effectively.	Corporate Asset Plan 2020-2024
6	The Zero Carbon Strategy outlines how the Council aims to halve carbon emissions by 2030 and reduce them to zero by 2050, including delivering a reduction in our own carbon footprint of at least 45% by 2025, (on a 2019 baseline), and at least 75% by 2030.	Zero Carbon Strategy
7	Council Service Plans assess improvement projects for their economic, social and environmental benefits.	Service Plans

## Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes

### Supporting Principles:

- Determining Interventions
- Planning Interventions
- Optimising achievement of intended outcomes

	How does the Council achieve this?	Supporting Examples
1	The Council has a Medium-Term Financial Strategy to resource its aspirations and to assess and plan for any financial risks. The strategy is reviewed annually.	Medium Term Financial Strategy
2	The Council puts service to the public first. The annual business planning process is used to agree the priorities for the Council. The Business Plan expresses the strategic objectives for the Council for over the current financial year and beyond.  Alongside each of the objectives are detailed the outcomes to be achieved and performance measures that provide evidence that the outcomes are being delivered. This information enables members and the services contributing to the delivery of the plan to be clear about the priorities for the Council and assists in decisions about where resources should be focussed.	Business Plan – Performance
3	Directors and Heads of Service prepare annual Service Plans indicating how they will meet objectives set in the Business Plan and setting out their priorities and work programmes for the year ahead.	Service Plans
4	The Council's overall spending plans are set out in an annual Budget Setting report for both revenue and capital expenditure.	Budget Setting Report
5	There are arrangements in place for regular budget monitoring and the reporting of significant variances to senior management.  The Council works to maximise its resources by delivering services as efficiently as possible, working in partnership with others and using other providers where these are the best options.	Quarterly Position Reports on Finance, Performance and Risk
6	Performance against Key Performance Indicators for each service are prepared for and presented to the Corporate Management and Leadership Teams, and Members to consider necessary remedial action.	Transformation Programme

7	<p>The Council seeks expertise from outside the authority when it does not have the necessary skills in-house, making use of peer reviews and other mechanisms for ensuring challenge of Council services. The Council has LGA membership.</p>	<p>LGA Peer Challenge - (Position Statement and Final report)</p> <p>Benchmarking - Housemark, CIPFA and Rural Services Network</p>
8	<p>The Council has established a Project Management Toolkit to set out practical guidance for project managers and provide standardised templates for consistency across the Council.</p>	<p>Project Management Toolkit</p>

## Principle E - Developing the Council's capacity, including the capability of its leadership and the individuals within it

Supporting principles:		
<ul style="list-style-type: none"> <li>• Developing the Council's capacity</li> <li>• Developing the capability of the entity's leadership and other individuals</li> </ul>		
	How does the Council achieve this?	Supporting Examples
1	The Council sets out a clear statement of the roles and responsibilities of Executive Members, other Members and Council Officers in its Constitution. The scheme of delegation within the Constitution makes clear which matters are reserved for collective decision-making by Council.	Constitution: Scheme of delegation
2	A Member/Officer protocol is used to aid effective communication between Officers and Members and to clarify their respective roles and appropriate ways of working.	Member/Officer Protocol
Page 96	The Council's Chief Executive is its Head of Paid Service and is responsible and accountable to the authority for its operational management.	
	When working in partnership the Council ensures that Members are clear about their roles and responsibilities, both individually and collectively, in relation to the partnerships and to the Council.	Partnership Terms of References
4	The behaviour expected of employees, and managers, is set out in the Council's competency framework and this is used as the basis for staff performance appraisal.	Corporate Values Management Competency Framework Disciplinary and Grievance Procedures
5	The Council's People & Organisational Development Strategy sets out how the Council will recruit, reward, and develop its employees to reach their full potential.	People & Organisational Development Strategy
6	Employees joining the Council are offered an induction programme and their training and development needs are reviewed regularly through the Council's annual performance review process, which applies to all staff.	Induction Programme
7	The Council has up-to-date job descriptions. It sets and monitors clear objectives for Officers through the annual performance review process.	Performance and Development Review Scheme



8	It agrees appropriate remuneration for officers based on a nationally recognised job evaluation scheme for the public sector, supplemented with local conventions.	Job Evaluation Scheme Pay Policy
9	The Council runs a Leadership Development programme for current and aspiring managers.	Leadership Development Programme
10	The Council offers all new Members an induction programme and the opportunity to develop, with a briefing and development programme to meet their needs. The Council also provides resources for training, attending conferences/seminars and briefings in-house for all elected Members. It keeps a register of the training received by Members and involves Members in reviewing training needs and the resources available during the year.	Member Induction Programme
11	The Council obliges Members to have appropriate training or briefing before performing certain roles (e.g. dealing with staff recruitment or disciplinary issues, being a member of the Planning or Licensing Committees).	Member Training Programme
12	The Council has developed Shared Services with their partners, and this helps to build resilience and expertise across partners.	Shared Services Business Cases, service plans and performance reports

## Principle F - Managing risks and performance through robust internal control and strong public financial management

Supporting Principles:		
	<ul style="list-style-type: none"> <li>Managing Risk</li> <li>Managing Performance</li> <li>Robust Internal Control</li> </ul>	<ul style="list-style-type: none"> <li>Managing data</li> <li>Strong public financial management</li> </ul>
	How does the Council achieve this?	Supporting Examples
Page 98	<p>1 The Council has a Risk Management Strategy, supplemented by procedures and guidance. It maintains strategic and service risk registers which are reviewed regularly. It undertakes systematic risk assessments in all areas of Council activity, including those covered by Health and Safety legislation.</p> <p>The Council ensures that risk management is embedded into the culture of the authority; with managers at all levels recognising that risk management is part of their job. Risk assessment is incorporated into the Council's decision making and Members are advised of the Council's risk profile at key stages.</p> <p>The Council respects the personal data of its citizens, employees, suppliers and others. The Council has a Data Protection Policy and publishes Privacy Notices. The Council follows best practice recognising the General Data Protection Regulation (GDPR) and Data Protection Act; and has action plans in place to ensure compliance and to respond to emerging guidance and good practice.</p>	<p>Risk Management Strategy, Procedures and guidance</p> <p>Information Governance Policies</p> <p>Website Privacy Notice</p>
	<p>3 The Council respects the privacy of members of the public if it has to carry out investigations under the Regulation of Investigatory Powers Act 2000, and ensures that privacy is only interfered with when the law permits and there is clear public interest justification.</p>	<p>Regulation of Investigatory Powers Act 2000 – Guidance</p>
	<p>4 The Head of Finance is the Council's Chief Financial Officer and S151 Officer, responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control. <u>They are compliant with the CIPFA Code of Practice.</u></p>	<p>Constitution - Article 12: <u>Functions of the Monitoring Officer</u> <del>Officers functions are responsibilities</del></p>
	<p>5 The Council's Scrutiny &amp; Overview committee undertake constructive challenge to enhance the Council's performance.</p>	<p>Constitution – Scrutiny and Overview</p>
	<p>6 The Council also has clear protocols about Members' access to information and officer advice to enable them to perform their roles.</p>	<p>Constitution: Access to Information Procedure Rules</p>

7	The Council has emergency and business continuity plans in place, including co-ordination and joint working arrangements with partners.	Emergency Plan / Business Continuity plans
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## Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

### Supporting Principles:

- Implementing good practice in transparency
- Implementing good practices in reporting
- Assurance and effective accountability

	How does the Council achieve this?	Supporting Examples
<p>1</p> <p>Page 100</p>	<p>The Council makes sure members of the public have access to information about the workings of the Council. It makes clear what information is routinely published through its Freedom of Information Publication scheme and responds promptly to requests for information.</p> <p>The Council publishes on its website all responses to Freedom of Information requests and has privacy notices and information-sharing agreements to ensure GDPR compliance.</p> <p>The Council publishes a Year-End Position Report and Statement of Accounts giving information on the authority's vision, strategy, performance, plans and financial statements.</p> <p>Shared services arrangements with other local authorities or partners document their governance arrangements, which are clear, open and accountable.</p>	<p>Publication Scheme</p> <p>Freedom of Information Requests</p> <p>Year-End Position Report and Statement of Accounts</p> <p>Shared Services Collaboration Agreements</p>
<p>4</p>	<p>The Council maintains an independent Internal Audit function, with a risk-based audit plan, designed to test regularly that the Council's policies and processes operate in practice and that the Council complies with legislation and good practice.</p> <p>The Head of Internal Audit produces an opinion on the Council's internal control environment and the risk management framework to meet the requirements of the Public Sector Internal Audit Standards.</p> <p>The Head of Internal Audit opinion is used to inform an Annual Governance Statement.</p>	<p>Risk based internal audit plan</p> <p>Head of Internal Audit Opinion</p> <p>Annual Governance Statement</p>
<p>5</p>	<p>The Council also agrees an annual work plan with its External Auditors to test the Council's response to major legislation and the soundness of its financial and governance processes.</p> <p>Recommendations arising from internal and external audit and inspection processes are used to inform future decision-making.</p>	<p>External Audit Plan</p>
<p>6</p>	<p>The Council has an Audit &amp; Corporate Governance Committee which regularly reviews their terms of reference and skills to best practice guidance. An annual report is produced to provide assurance to full Council.</p>	<p>Audit and Corporate Governance Committee Annual Report</p>

7	The Council uses an Independent Remuneration Panel to give advice on payments to Members and considers their advice when setting the Members' Allowance Scheme. The Panel's recommendations are set out in a public report to Council. The Scheme is available to view on the Council's website and is subject to regular review.	Members' Allowances Scheme
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## Monitoring and reporting

The Council will undertake an annual review of its governance arrangements to ensure continuing compliance with best practice to provide assurance that corporate governance arrangements are adequate and operating effectively in practice. Where reviews of the corporate governance arrangements have revealed gaps, actions will be planned to enhance the governance arrangements accordingly.

The Council will prepare an Annual Governance Statement which will be submitted to the Audit and Corporate Governance Committee for consideration and will form part of the Council's annual Statement of Accounts.

The Governance Statement will include:

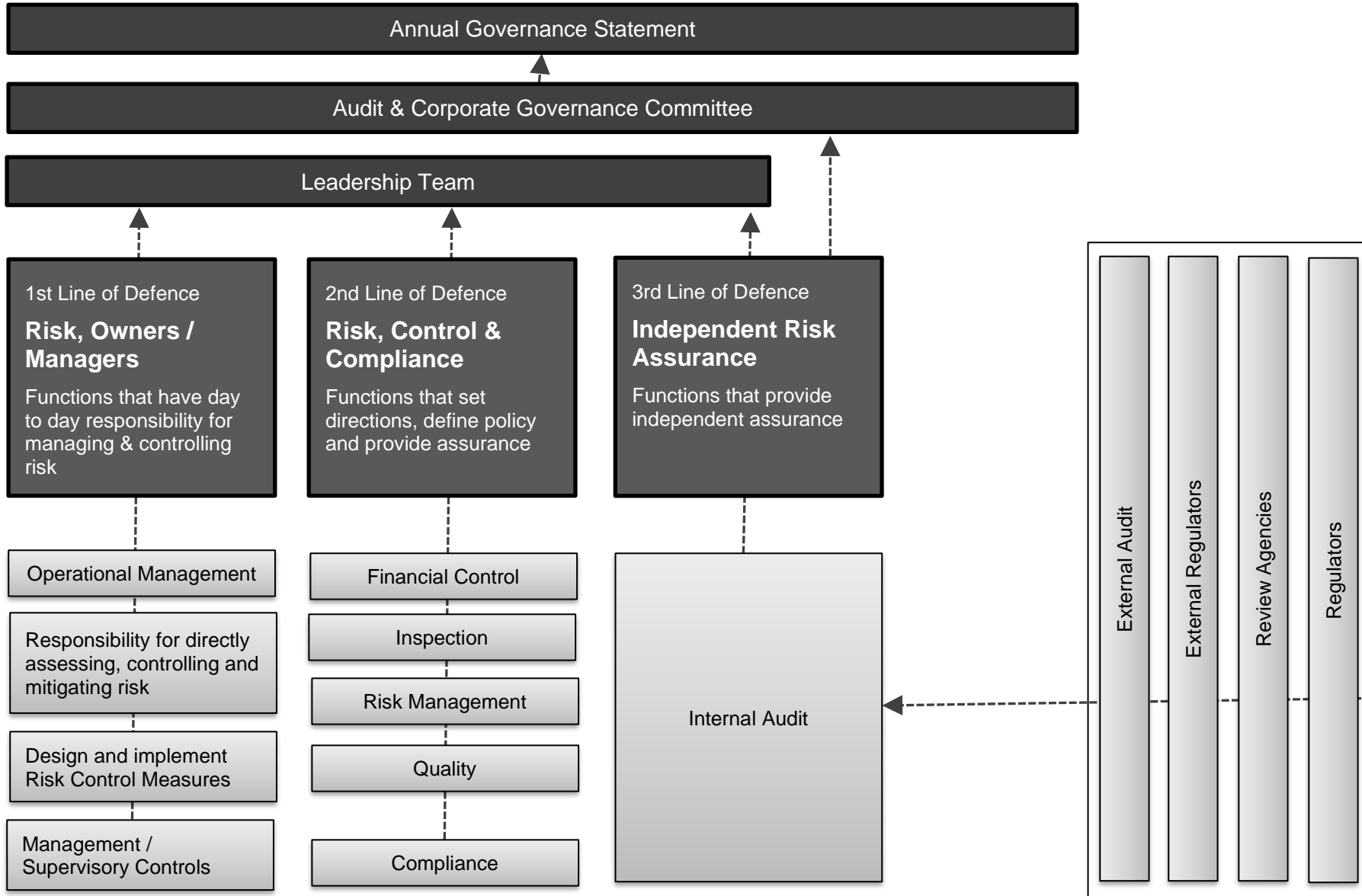
- an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) and reference to the authority's code of governance;
- a reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment;
- an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
- a reference to how issues raised in the previous year's annual governance statement have been progressed; and
- a conclusion including a commitment to monitoring implementation as part of the next annual review.

In reviewing and approving the Annual Governance Statement, members will be provided with detailed information regarding the effectiveness of the governance arrangements and system of internal control and how these address the key risks faced by the Council. Those assurances will be available from a wide range of sources, including internal and external audit, a range of external inspectorates and managers from across the Council.

The Council will continually strive to operate an assurance framework, embedded into its business processes, that maps corporate objectives to risks, controls and assurances. This framework and regular reports on its application and effectiveness will provide members with assurances to support the Annual Governance Statement and will help members to identify whether corporate objectives and significant business risks are being properly managed.

## Our assurance channels

The review of effectiveness is informed from various sources (also known as the Lines of Defense):



## Seven principles of public life

The governance framework is supported by the [seven Principles of Public Life](#), and apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the Civil Service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

Selflessness	Holders of public office should act solely in terms of the public interest.
Integrity	Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
Objectivity	Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
Accountability	Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
Openness	Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
Honesty	Holders of public office should be truthful.
Leadership	Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.



# Version Control

Major iterations and updates are published below.

Date updated	Summary of changes
16/05/2024	Presented to Audit & Corporate Governance Committee with draft 2022/2023 AGS
12/01/2024	Presented to Audit & Corporate Governance Committee with draft 2021/2022 AGS
24/02/2023	Updated to reflect the recommendations of the Audit & Corporate Governance Committee
19/01/2023	Presented to Audit & Corporate Governance Committee with draft 2020/2021 AGS

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