

Covering Introduction

This is a covering introduction for the Annual Governance Statement 2018/19 (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 Internal Audit team, with input from the key stakeholders and management.

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

The Accounts and Audit Regulations and the CIPFA guidance establishes that the committee should approve the Annual Governance Statement in advance of the Statement of Accounts. As the final version of the 2017/18 AGS was approved in December 2019, and reflects governance issues up to the data of approval, and the draft 2018/19 AGS was published in January it is important to note:

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

Despite the short period between both the AGS 17/18 and AGS 18/19 being produced, this still provides an opportunity for the Council to document what has happened in the 18/19 financial year, through the Review of Effectiveness.

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

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

Annual Governance Statement

Introduction and purpose

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

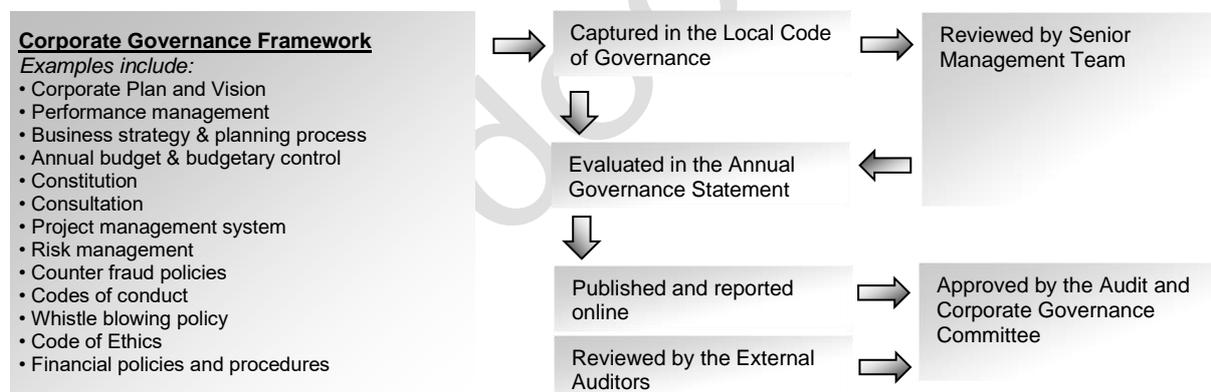
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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 2018/19 financial year supports the Council aims and objectives, which are published on [our website](#)¹. The Vision states:

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

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

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

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

The governance framework has been in place at the Council for the year ended 31 March 2019, and up to the date of approval of the Statement of Accounts.

Local Code of Governance

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

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

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

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

Role and responsibilities

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

Governance structures	Roles and responsibilities
Council	Council agrees the budget and policy framework, such as the Corporate Plan, Medium Term Financial Strategy. Further details are published on our website .
Cabinet	This is the Council's principal decision making body charged with implementing the budget and policy framework agreed by Council. Further details are published on our website .
Executive Management Team	<p>The management team structure includes a strategic Executive Management Team of a Chief Executive and Directors, and is supported by an operational Corporate Management Team. Both teams consider policy formulation and future planning.</p> <p>The Chief Executive, and the Executive Director – Corporate Services, retired³ during the year. The Council's Director of Health and Environmental Services was appointed to the role of Chief Executive on an interim basis until a new Chief Executive was appointed and is now in post.</p>
Audit and Corporate Governance Committee	<p>The Audit and Corporate Governance Committee also plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done. It provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability.</p> <p>The Committee exists to challenge the way things are being done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the governance, risk and control environment. Meetings details and minutes are published on the website.</p>
Civic Affairs Committee	This committee reviews the Council's Constitution, including proposals for substantive changes for consideration by the Council. It also considers changes to electoral arrangements, setting ethical standards and monitoring the Councils Code of Conduct. Further details are published on our website .
Scrutiny and Overview committee	It monitors the performance of the Leader and Cabinet and scrutinises services and policies throughout the district, whether or not South Cambridgeshire District Council provides them, and makes recommendations for improvement. Further details are published on our website .

³ <https://www.scams.gov.uk/retirement-of-south-cambridgeshire-district-council-chief-executive/>

Purpose of the Annual Governance Statement

The Council conducts a review of its system of internal control, prepares and publishes an Annual Governance Statement 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 Councils 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

Management have helped to review 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 therefore the extent to which the Council can rely on it. This has been considered in the development of the Annual Governance Statement.

The [Annual Report](#) was presented to the Audit & Corporate Governance Committee in July 2019. This report outlined the key findings of the audit work undertaken during 2018/19, including any areas of significant weakness in the internal control environment.

From the audit reviews undertaken, no areas were identified where it was considered that, if the risks highlighted materialised, it would have a major impact on the organisation as a whole. In each instance where it has been identified that the control environment was not strong enough, or was not complied with sufficiently to prevent risks to the organisation, Internal Audit has issued recommendations to further improve the system of control and compliance. Where these recommendations are considered to have significant impact on the system of internal control, the implementation of actions is followed-up by Internal Audit and is 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 2018/19, and this remains at a similar level to the previous year.

External Audit

Ernst & Young (now EY) are the appointed external auditor. Their results report (ISA260), annual audit letter and annual report on the certification of claims and returns was presented to Audit & Corporate Governance committee.

For 2017-18 EY issued an unqualified audit opinion on the financial statements. In light of the financial reporting challenges the Authority has experienced, EY issued a qualified report on the arrangements to secure economy, efficiency and effectiveness in the use of resources.

Impact of Coronavirus

The pandemic Covid-19 has the potential to have a significant impact on the 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 is also appropriate to consider the impact on our outcomes, financial and organisational resilience, stakeholder engagement and accountability.

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

In response to the pandemic the Council has implemented various measures through its business continuity framework, with continuous risk management in this period. This has helped us to maintain our governance arrangements, and further specific reference due to the impact of Covid-19 are included below where it helps to communicate the impact.

Progress from the last Annual Governance Statement

The Council prepared an [Annual Governance Statement for 2017/18](#) which was approved by the Audit and Corporate Governance Committee in December 2019. This Annual Governance Statement for 2018/19 was been drafted in January 2020 and the previous action plan has been updated below, in the Opportunities for Improvement section.

Draft document

Review of effectiveness

The Council has a positive risk appetite and the governance framework is designed to manage risk to an acceptable level. It provides a reasonable level of assurance, as it is not possible to eliminate all risks which may impact the achievement of its vision, policies, aims and objectives.

The effectiveness of the key elements of the governance framework is reviewed throughout the year. The review is informed by the work of senior officers who have responsibility for the development and maintenance of the governance framework, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates. In addition both the Corporate Management Team and the Audit and Corporate Governance Committee have participated in workshops to help develop the Annual Governance Statement. This helps us to identify what works well, and also opportunities for improvement.

The Council has a number of policies and procedures which are recorded in its Local Code of Governance. These are mapped to the 7 principles of good governance.

Ongoing good practice is recorded in the [Local Code of Governance](#). Additional examples of good practice from the 2018/19 financial year, and governance issues, considered when completing the review are recorded below as part of the review of effectiveness. The 2018/19 Statement of Accounts was not concluded by the statutory deadline, due to the delay in the previous 2017/18 Statement of Accounts, and the Annual Governance Statement must be approved in advance of the Statement of Accounts. As good practice the Council is also reporting items up to the date that the Statement of Accounts is concluded, and these are also reported separately for clarity. As they relate to the next financial year, they may also feature in the next AGS too.

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.

Principle	Review of effectiveness for the 1819 Financial Year	Further progress made to date
<p>A Behave: integrity, ethical values, respect rule of law</p>	<ul style="list-style-type: none"> The Civic Affairs Committee established a Task and Finish group to undertake a comprehensive review of the Council's Constitution, including its codes and protocols, such as Committee terms of reference, and financial and procurement authorisation levels. This has been recognised within the AGS as an opportunity for improvement. The Council committed to sign up to the Disability Confident scheme which meets the ambition to be an Employer of Choice for people with disabilities. Management have provided feedback that the framework of HR Policies supported them to ensure there are high levels of conduct and ethical behaviour, and there are low levels of non-compliance with Policies. 	<ul style="list-style-type: none"> Due to the volume of work, the Task and Finish Group has now planned for its recommendations to go to the Civic Affairs Committee and then to Council in the autumn 2020.
<p>B Openness & stakeholder engagement</p>	<ul style="list-style-type: none"> A Business Plan was developed for the 2019-24 period to set priorities for our communities and businesses. This included consultation and was published on our website. Cabinet discussed the decision-making process and the need to evaluate support for the Scrutiny Function. The Council consulted with its customers, including the Localised Council Tax Support Scheme, Greater Cambridge Housing Strategy, Licensing Policy statement, Gambling Act Policy Statement, and the Statement of Community Involvement which sets out the approach to community engagement in planning matters. Council agreed to introduce a twelve-month pilot scheme to allow the public to make written representations at full Council meetings without prior written notice. The Leader organised a series of talks at business breakfasts to enable discussions with local businesses on how the Council could facilitate and support business growth in South Cambridgeshire. 	

Principle	Review of effectiveness for the 1819 Financial Year	Further progress made to date
<p>C Defining outcomes - economic, social, environmental</p>	<ul style="list-style-type: none"> • The Business Plan for 2019-24 set priorities for our communities and businesses and was approved at Council on 21 February 2019. Economic development is an overarching aspect of the plan, as well as housing, making the green agenda part of everything we do, income generation, and using our technology smartly. • The Council has agreed to support a transition to “Zero Carbon by 2050 in the next local plan and are prioritising the elimination of single use plastics within the organisation. • The Council established a new Climate and Environment Advisory Committee to advise the Portfolio Holder responsible for climate change and environmental sustainability. • The Council reviewed its own internal policies, changing internal bins to encourage further recycling and make financial savings. • The Council approved the new South Cambridgeshire Local Plan, as part of the development plan, following the Inspectors report. Cabinet adopted a new Local Development Scheme for Greater Cambridge, prepared jointly with Cambridge City Council, confirming the intention to prepare a joint Local Plan for Greater Cambridge, comprising the administrative areas of both Councils and a joint Cambridge Northern Fringe Area Action Plan. 	<ul style="list-style-type: none"> • The Council has subsequently declared a Climate Emergency with regular meetings of the Climate and Advisory Committee.
<p>D Determine interventions to achieve outcomes</p>	<ul style="list-style-type: none"> • Cabinet considered a report highlighting that South Cambridgeshire District Council faces an exciting but challenging future, operating in an environment with reducing resources and rising customer expectations. Officers had already begun to consider how best to meet these challenges and the report set out the next steps needed to make sure that the Authority was effectively resourced to face the future. Consequently, the Council commissioned an independent review of the Council to determine how the Council could best focus on delivering its priorities. This reflects the governance of shared services, having the right skills to be more commercial in our approach, and also investing to deliver a 	

Principle	Review of effectiveness for the 1819 Financial Year	Further progress made to date
	<p>return.</p> <ul style="list-style-type: none"> • Cabinet considered a report examining the justification and scope for a further three-year programme (2019-20 to 2021-22) of Service Support Grant funding of the voluntary and community sector and approved a further 3-year scheme. • Council agreed to bring forward lending of £13 million to Ermine Street Housing into 2018/19 by re-phasing the Capital Programme and bringing forward budget from future years to enable the Company to continue the business expansion as agreed by Cabinet and Council in November 2015. 	
<p>E Develop capacity and capability of entity</p>	<ul style="list-style-type: none"> • There have been various changes to the establishment of the Council, including the retirement of the Chief Executive, the Executive Director (as the responsible S151 officer) and resignation of the Executive Director with responsibility for Housing. This has been recognised in the “Role and responsibilities” section of the AGS. • Council received a report following the District Council Election, and a new Leader of the Council was appointed for the period 2018-22. Cabinet Members, and their respective roles, were then announced. • Cabinet considered actions for Task and Finish Groups to develop the entity, which included: regular evaluation of the effectiveness of Member training; streamline representation on outside bodies; review the approach and direction of travel for Member Development; undertake a comprehensive review of the Constitution; and review the Code of Conduct Complaints Procedure. • Cabinet considered a report outlining a revised Organisational Change policy and procedure. • The Council signed up to the Government's Disability Confident scheme. • The Council approved nominations to South Cambs Trading Ltd and Shire Homes Letting Ltd. 	<ul style="list-style-type: none"> • The Council has now successfully appointed a new Chief Executive and <u>has completed a review of the is currently undertaking a Senior Management team structureReview.</u>

Principle	Review of effectiveness for the 1819 Financial Year	Further progress made to date
F Manage risk & performance, internal control, finance	<ul style="list-style-type: none"> • Cabinet considered the provisional 2017-18 outturn position statement on General Fund, Housing Revenue Account (HRA) and Capital expenditure, including requests for budget rollovers from 2017-18 to 2018-19; statements on the 2017-18 year-end position plus the Council's corporate objectives and performance indicators, and the Strategic Risk Register. • An internal audit review of the Risk Management framework was completed. This provided reasonable assurance, concluding that the Council is risk enabled and that risk management and internal controls are embedded. Members attended Risk Management workshops and the Council developed the Strategic Risk Register so that it was aligned to the priorities of the new Business Plan. • The Council established a time limited cross-party Advisory Group to review and report on the potential impacts of Brexit on South Cambridgeshire and to recommend actions to mitigate those impacts where relevant and appropriate. Cambridge City Council were invited to appoint three representatives to serve as co-opted members. Four priorities were agreed to proactively manage the risks. • Cabinet approved business plans for each of the shared services and noted the annual reports for the services delivered in partnership. • The Council proactively wrote of bad debt, as required, also noting the good performance that in the last financial year the Council had ranked 3rd out of 326 local authorities for Council Tax collection and 25th for collection of business rates. • The Council proactively prepared for the implementation of the General Data Protection Regulations and the new Data Protection Act. • The Scrutiny and Overview Committee received performance reports on Customer Contact Service, Development Management, Shared Service, plus quarterly Position Statements on Finance Performance and Risk. The quarterly updates were reviewed and now include an "In flight project tracker" to help communicate project management progress. 	

Principle	Review of effectiveness for the 1819 Financial Year	Further progress made to date
<p>G Transparency, reporting, audit, accountability</p>	<ul style="list-style-type: none"> The Council received an unqualified opinion on the statement of accounts for 2016/17. The accounts were approved in January 2018, which was later than planned, as final adjustments were completed and the valuation of the housing stock was reviewed. External audits were completed on the 2017/18 group accounts, which provided assurance, and this was supplemented by a risk-based program of internal audit work. The website has been refreshed to make information more accessible to customers and there has been an increase in the use of e-forms. The Council has launched Onevu, which is an 24/7 online customer portal designed to improve business processes and the customer experience. Governance change included the Council moved to a system of pre-scrutiny, from post-scrutiny, noting that this would give Members more influence over shaping decisions, policy and strategy. Cabinet members are focussing on priority delivery, rather than service areas, and would take a whole cabinet approach to decision making. Cabinet meetings would be public and participation by Members and the public would be welcomed. Cabinet agreed to publish the South Cambridgeshire Authority Monitoring Report 2017-2018 as part of a Local Plan and Housing Monitoring update. 	<ul style="list-style-type: none"> For 2017-18 EY issued an unqualified audit opinion on the financial statements. In light of the financial reporting challenges the Authority has experienced, EY issued a qualified report on the arrangements to secure economy, efficiency and effectiveness in the use of resources. There has been a delay to concluding the 2018/19 accounts, and both the Council and the External Auditors are working to conclude these as promptly as possible. This has been recognised and included in our AGS improvement plan.

Opportunities for Improvement

The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

The review process has helped us to identify some opportunities to improve the governance arrangements over the next twelve months. Some of these may feature in previous statements where the work is ongoing, and as the previous AGS has only just been concluded. They address both significant governance issues that have arisen during 2018/19, and forward-looking matters identified for 2018/19. These actions are captured in existing corporate plans and strategies.

Subject	Opportunity	Responsible Officer
Review of the Constitution	The Council's Constitution has not been subject to a comprehensive review for some considerable time. The Civic Affairs Committee has agreed to establish a Task and Finish group to undertake a comprehensive review of the Council's Constitution, including its codes and protocols, such as Committee terms of reference, and financial and procurement authorisation levels. The Task and Finish Group has drawn up a work programme which envisages recommendations being submitted to this Committee in the summer, with the aim of seeking Council approval for the revised Constitution in the autumn.	Deputy Monitoring Officer
Digital strategy	Recognising that it can be difficult to engage with customers and stakeholders, the Council is developing a digital strategy to help customers self-serve, whilst preserving appropriate channels for those that require them. Examples include "In Touch Project" to improve digital inclusion with Housing tenants and reviewing our "Community Engagement Strategy".	Executive Director – Corporate Services and Head of People and Organisational Development

Subject	Opportunity	Responsible Officer
Statement of Accounts	<p>The Council completes Statement of Accounts, to report the financial position of the Council, and for both 16/17 and 17/18 these were not approved by the deadline. An earlier timetable for completion was established as part of the Accounts and Audit regulations 2015 which the Council has not been able to complete. In addition, it is recognised that the external auditors have resource challenges and have had to prioritise resource elsewhere. Consequently, this has also impacted upon conclusion of the 18/19 accounts.</p> <p>Both the Council and the externally appointed auditors have worked together to conclude these as promptly as possible. It was not possible to meet the deadline, and updates have been regularly communicated to the Audit & Corporate Governance Committee.</p> <p>The external auditors issued an unqualified audit opinion on the financial statements for 17/18. However, in light of the financial reporting challenges the Authority has experienced, they issued a qualified report on the arrangements to secure economy, efficiency and effectiveness in the Council's use of resources.</p> <p>The Council has been undertaking a 'lessons learnt' and risk appraisal to improve the completion process of the 18/19 accounts. The Council has recruited a Principal Accountant, plus a Deputy Head of Finance, and these substantive resources will help manage the process.</p>	Executive Director – Corporate Services and S151 Officer
Review of anti-fraud and corruption policies	The Council completes a continuous review of its counter fraud arrangements based on good practice. Policies are being reviewed to see if any improvements can be adopted and will be reported to the Audit & Corporate Governance Committee.	Head of Internal Audit
Financial Management System	The Council is implementing a new Financial Management System, to develop resilience and introduce smarter ways of working. The core system was successfully implemented and is now being used throughout the Council. In addition, the Council is implementing a new Asset Management system, which will improve the data management and record keeping.	Executive Director – Corporate Services & Head of Finance

Subject	Opportunity	Responsible Officer
Control Account Reconciliations	The Council reconciles control accounts to ensure that systems balance. These were not always completed promptly, throughout the year. The Finance team ensured these were completed for the system launch of the new Financial Management System, as data was migrated. Management now have processes in place for monitoring reconciliations. Internal processes will also be reviewed to consider opportunities to simplify the reconciliation process and assist prompt completion.	Executive Director – Corporate Services & Head of Finance
Organisational Development Strategy	The Council will complete a review of the Organisational Development Strategy, over the current financial year, which will help to improve recruitment and retention of employees.	Head of People and Organisational Development
Complaints management	The Council has a process for responding to complaints. A project is being implemented to help improve our quality and timeliness of complaints handling, and a new system has been implemented. A post implementation review will be completed to quality assure its effectiveness.	Head of People and Organisational Development
Environment	Local Air Quality Management is a statutory obligation for all Local Authorities. It involves a rolling programme of air quality assessment, impacting on decisions made by all internal and external bodies responsible for transport planning, highways, growth agendas, development plans and environmental protection. The Council is developing a new Air Quality Strategy , which will help to enhance the environment and inform environmental planning.	Head of Service, Environmental Commissioning

Subject	Opportunity	Responsible Officer
Procurement best practice	<p>In March 2019 Cabinet considered a report outlining the findings of the “Barriers to Council Procurement from Small and Medium-sized Enterprises (SMEs) Task and Finish Group” and approved to:</p> <ul style="list-style-type: none"> • review and simplify the tendering documentation for council contracts below the EU Procurement Thresholds; • develop, promote and run a minimum of two procurement workshops for local SMEs during 2019; • investigate how SCDC could increase awareness of contract opportunities locally whilst complying with the UK Regulations; and • review the late payment of invoices with the South Cambridgeshire District Council’s accountancy team. <p>Progress will be reported back to Cabinet.</p>	Executive Director – Corporate Services

Draft document

Conclusion

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

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

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