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## 1. BACKGROUND AND SCOPE

### 1.1 SCOPE OF RESPONSIBILITY

Cambridgeshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (Solace) Framework *Delivering Good Governance in Local Government*.

This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which require all relevant bodies to prepare an annual governance statement.

### 1.2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The Governance Framework comprises the systems and processes, culture, and values by which the Council is directed and controlled and its activities through which it accounts to, engages with, and leads its communities. 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 services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The 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 Annual Report and Statement of Accounts.

### 1.3 KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

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The key elements of the systems and processes that comprise the Council's governance arrangements are:

## Leadership and Decision-Making:

- Members exercising strategic leadership by developing and keeping under review the Council's vision and priorities, as set out in the Strategic Framework 2023 - 2028. The Framework communicates the Council's vision of its purpose and the ambitions which shape its key strategies and its day-to-day service delivery.
- An established annual business planning process which ensures that services are delivered in accordance with the Council's objectives and represents the best use of resources;
- A written Constitution which specifies the roles and responsibilities of elected members and officers, with clear delegation arrangements and protocols for effective communication. The Constitution sets out: Schemes of Delegation to members and officers; Financial and Contract Procedure Rules; and other supporting procedures for how decisions are taken and the processes and controls required to manage risk. There are arrangements in place to ensure these are reviewed regularly;
- Embedded Codes of Conduct which define the standards of behaviour for members and employees;
- An Engagement and Consultation Strategy to ensure the Council consults with and engages the diverse communities of Cambridgeshire, allowing them to have a say in the planning and reviewing of the services provided for them;

## Monitoring the Achievement of Objectives:

- The mechanisms of the Council's performance management system, and financial and performance reporting, provide oversight of the Council's performance in achieving objectives;
- The Council's risk management system provides local and corporate oversight of how risk is identified and controlled to support the achievement of objectives;

## Oversight and Scrutiny:

- The Audit and Accounts Committee is responsible for: independent assurance on the adequacy of the risk management framework and the associated control environment; the independent scrutiny of the Council's financial performance, to the extent that it affects the Council's exposure to risk and weakens the control environment; and for overseeing the financial reporting process;
- Statutory officers support and monitor the Council's governance arrangements, ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful;

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- There are embedded arrangements for whistleblowing under the Public Interest Disclosure Act, as well as routes for raising other types of concerns including safeguarding, information security and employment concerns. There are policies in place for receiving and investigating complaints from the public, supporting the measurement of the quality of services for users;
- The committee-based system of governance provides the Council with the high standards of governance expected of a local authority. Under the committee system, decisions are made by cross-party committees, meaning that a separate scrutiny function is no longer necessary.
- The work of Internal Audit provides independent and objective assurance across the whole range of the Council's activities.

## 2. REVIEW OF EFFECTIVENESS

### 2.1 APPROACH AND SCOPE FOR THE REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Corporate Governance Framework, including the system of internal control.

The review of effectiveness is informed by:

- Assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment.
- The Head of Internal Audit and Risk Management's annual report.
- Comments made by external auditors and other review agencies and inspectorates.

The Governance Framework and its constituent elements have been developed by executive managers and consulted upon with all members, the Audit and Accounts Committee and the Cambridgeshire Corporate Leadership Team, as appropriate.

The arrangements for reviewing the Governance Framework comprise:

- A review of the Governance Framework and Internal Control Environment in accordance with CIPFA guidance, carried out by Internal Audit annually. Within this, consideration has been given to ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government and the role of the Head of Internal Audit in Public Service Organisations.
- An annual review of the Council's Code of Corporate Governance undertaken by staff within Internal Audit.
- The annual report and opinion on the internal control environment prepared by the Head of Audit and Risk Management. This report draws upon the outcome of audit reviews undertaken throughout 2022/23 and is informed by the comments of external auditors and

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inspectors. The report is designed to provide assurance on the effectiveness of internal controls.

- The completion of Self-Assurance Statements by directors.
- The consideration of relevant outputs from member and officer-led reviews undertaken during the year, and the comments made by the external auditors and other review agencies and inspectorates.

## 2.2 APPROACH AND SCOPE FOR THE REVIEW OF EFFECTIVENESS

The key aspects of the review of effectiveness are outlined below. This report reflects the structures in place during the 2022/23 financial year and highlights any changes during the course of the year.

### i. Council Planning

There is a clear vision of the outcomes which the Council wants to achieve for local people as set out in the Business Plan, which incorporates the Council's Strategic Framework 2023 – 28, the Medium-Term Financial Strategy and associated strategies.

The Council operates a planning process which integrates all aspects of strategic, operational and financial planning, and which has the full involvement of senior administration councillors and all senior managers of the Council. This ensures financial plans realistically support the delivery of the Council's vision and strategic ambitions in the short and medium terms.

The budget preparation process was subject to robust challenge by councillors and involved consultation with the people and businesses of Cambridgeshire. The Strategic Framework and Budget was approved by Full Council on 7<sup>th</sup> February 2023.

### ii. Performance Management

The Council refreshed and updated its approach to performance management in 2021/22, with a new Performance Management Framework approved by Strategy and Resources Committee on 27<sup>th</sup> January 2022 and by Full Council on 8<sup>th</sup> February 2022 as part of the business planning process. The 2022/23 financial year was therefore the first full year of operation for the new Framework.

Under the new Framework, Strategy and Resources Committee is due to have central oversight of the framework and will monitor a cross-cutting set of Strategic Key Performance Indicators (KPIs) consisting of 15-25 indicators, while Policy and Service Committees will monitor their own KPIs relating to their areas of oversight.

Due to the development of the new Performance Management framework and the development of a new strategic framework, reporting on the former suite of KPIs had been paused during the 2021/22 year. Performance Reporting on the KPIs under the new Framework has recommenced in 2022/23 for all Committees other than the Children and Young People's Committee. The Strategy & Resources Committee received regular updates on KPIs relating to Corporate

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Services; however the Committee has yet to receive reporting on the set of Council-wide cross-cutting Strategic Key Performance Indicators, which were drafted as part of the new Strategic Framework. Responsibility for reporting on KPIs, and ownership of the Performance Management Framework, will be transitioning to the new Performance & Governance team within the Strategy & Partnerships directorate early in the 2023/24 financial year.

The Council produces an Integrated Finance Monitoring Report (IFMR) for the Corporate Leadership Team on a monthly basis. IMFRs are also presented regularly to meetings of the Strategy and Resources Committee, in addition to the quarterly Finance Monitoring Reports supplied to service committees.

## iii. Executive Decision Making and Scrutiny

Executive decisions were made by one of the Council's five cross-party Policy and Service committees and the Strategy and Resources Committee, which has an overarching and co-ordinating role and has authority for oversight, operation and review of Corporate Services.

Executive decisions may be reviewed following request by at least 9 full members of the Strategy & Resources Committee, which must be made within 3 days of a decision being published.

## iv. The Audit and Accounts Committee

In line with its Terms of Reference, the Audit and Accounts Committee provides independent, effective assurance on the adequacy of the Council's governance environment. All major political parties are represented on the Audit and Accounts Committee.

The Audit and Accounts Committee met regularly during 2022/23, considering reports, including the annual Internal Audit Report from the Head of Internal Audit; the Council's annual Statement of Accounts; debt management updates; and information on financial reporting and related matters from the Council's senior Finance officers and the External Auditor.

The Chair of the Audit and Accounts Committee presents an annual report to Council detailing the work of the Audit and Accounts Committee in the preceding year.

## v. Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer, Section 151 Officer, Director of Public Health, Director of Children's Services and Director of Adult Social Services were effectively fulfilled during 2022-23 and up to the date of this report.

There have been a number of changes in statutory officers at Cambridgeshire County Council during the course of 2022/23.

At the start of 2022-23, the Council shared its Executive Director of People Services with Peterborough City Council, along with a joint service structure which included shared posts for the Service Director: Adults (statutory Director of Adult Social Services (DASS)) and Service Director: Children's Social Care (statutory Director of Children's Services (DCS)). These roles were filled on an interim basis, pending the review of the shared services arrangements by Cambridgeshire and Peterborough.

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Both Councils' Staffing & Appeals Committees agreed to proposals to separate the shared People service on 1<sup>st</sup> December 2022. At the end of March 2023, the Council confirmed the appointment of a new Executive Director for Children, Education & Families (statutory DCS) and an Executive Director for Adults, Health & Commissioning (statutory DASS). It is anticipated that the new post holders will start in role in summer 2023; until that point, the interim arrangements will continue to provide cover for these statutory roles.

The new Executive Director: Finance & Resources started in post on 13<sup>th</sup> March 2023 and took up the role of Section 151 Officer from the Service Director: Finance & Procurement at this point.

Following the departure of the Council's former Monitoring Officer at the end of November 2022, an interim was appointed until the new Monitoring Officer and Service Director: Legal & Governance could take up post on 27<sup>th</sup> March 2023.

## vi. Management

The Council's Corporate Leadership Team and Service Directors have provided assurance through Self-Assurance Statements that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities;
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks;
- Service Directors and/or relevant senior staff have provided assurance on the key elements of risk and control in their areas of responsibility;
- Throughout the financial year they consider that risks and internal controls have been sufficiently addressed to provide reasonable assurance of effective financial and operational control, compliance with the Code of Corporate Governance and other laws and regulations.

Where directors identified key issues or particular areas of governance as part of their self-assurance statements, this feedback has been incorporated into the conclusions at Section 3 of this report.

## vii. Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit, which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Internal Audit to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Head of Internal Audit provided her annual report to the Audit Committee on 26<sup>th</sup> May 2023. The report outlined the key findings of the audit work undertaken during 2022/23, including areas of significant weakness in the internal control environment.



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An assurance scoring mechanism, based on three opinions, is used to reflect the effectiveness of the Council's internal control environment. The opinions are:

- Control Environment Assurance
- Compliance Assurance
- Organisational Impact

From the audit reviews undertaken during 2022/23, 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 Accounts Committee on a quarterly basis.

It is the opinion of the Head of Internal Audit that:

*On the basis of the audit work undertaken by Cambridgeshire's Internal Audit team during the 2022/23 financial year, it is the Head of Internal Audit's opinion that overall Internal Audit can provide moderate assurance<sup>1</sup> over the system of internal control in place at Cambridgeshire County Council for the financial year ended 31st March 2023.*

*This opinion is derived from an assessment of the range of individual opinions arising from work completed in 2022/23 by the Cambridgeshire Internal Audit team, taking account of the relative materiality of each area under review, and considering management's progress in addressing control weaknesses. Full details of the work completed by Internal Audit in-year are set out in the remainder of the Internal Audit Annual report.*

*I would particularly highlight the following key pieces of evidence on which my opinion is based:*

- *Assurance opinions from Internal Audit reviews in 2022/23 showing a predominance of 'moderate' audit opinions. No instances were identified in-year where audit findings were deemed to have a 'major' organisational impact, and one action was recommended which was risk assessed as being 'essential' to avoid exposure to a significant organisational risk.*
- *Reviews of Key Financial Systems for which Cambridgeshire County Council is the Lead Authority consistently demonstrating a good or moderate assurance across all systems. A prior-year issue around payroll control accounts is being addressed and will be reviewed in detail in a future audit undertaken by West Northamptonshire colleagues.*

<sup>1</sup> The opinion of 'moderate' assurance reflects the Council's Internal Audit service's standard definitions for assurance opinions, indicating that audit work has identified that there are control weaknesses that present a medium risk to the control environment; and that the control environment has mainly operated as intended, although errors have been detected. For more detail please see Section 3.2.4 of the Internal Audit Annual Report 2022/23.



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- *Procurement and contract management remains a key area of risk and focus for Cambridgeshire County Council, and this has been reflected in the Internal Audit plan and work completed throughout the year.*
- *Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, including Director's Assurance Statements. These documents demonstrate a sound core of organisational governance. There are some areas within the corporate policy framework which require further development, particularly with regards to project management and partnerships governance. There have been significant planned and actual changes in organisational structure at the Council in 2022/23 coupled with changes in senior management, and work to manage and embed these changes will continue into the new financial year. Organisational change of this nature may increase governance risk in the short term.*
- *62% of agreed audit actions due for implementation in 2022/23 have been completed by the organisation. This is broadly similar to the implementation rate of 64% for 2021/22.*

*During 2022/23, the Council's Internal Audit service:*

- *Had unrestricted access to all areas and systems in the authority.*
- *Received appropriate co-operation from officers and Members.*
- *Had only just sufficient resources to enable it to provide adequate coverage of the authority's control environment.*

*As a result, there are no qualifications to the 2022/23 Head of Internal Audit position statement. It should be noted that no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.*

*- Mairead Claydon, Head of Internal Audit & Risk Management*

The detail to support this assessment was provided in the Annual Internal Audit Report which will be presented to the Audit and Accounts Committee on 26<sup>th</sup> May 2023.

### viii. Review of Internal Audit

The Public Sector Internal Audit Standards (PSIAS) were introduced from April 2013. The Internal Audit service has operated in compliance with PSIAS throughout the year.

Internal Audit teams are required to undergo external reviews of compliance with PSIAS every five years. As the previous external review of the Cambridgeshire team took place in the 2017/18 financial year, an external 'peer-to-peer' review by the Head of Internal Audit at Peterborough City Council was completed in 2022. The full report on this review was presented to Audit & Accounts Committee in November 2022, and concluded that the CCC Internal Audit team fully

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conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

## ix. External Audit

On 14 December 2017, the PSAA board approved the appointment of EY to audit the accounts of Cambridgeshire County Council for a period of five years, covering the financial years from 1 April 2018 to 31 March 2023.

Objections have been made by a single local elector to EY as the external auditor during the audits for the years ending 2019, 2020, 2021 and 2022 in accordance with the provisions of section 27 of the Local Audit & Accountability Act 2014. On 3 March 2023, the external auditor determined the outcome of all of these objections and issued a detailed statement of reasons. The auditor decided to take no action at this time in response to the objections, declining to issue a public interest report or apply for a declaration of an unlawful item of account. The period for the appeal to the courts of this decision, in respect of a declaration of an unlawful item, has now also expired with no further action taken by the objector. EY asked that the Council pay ongoing close attention to its procurement practices to ensure that historical weaknesses (highlighted in our most recent value for money conclusion issued in November 2021) continue to be remedied. The Council takes comfort from the review and determination by the external auditor of the various matters raised in the objections and that this statutory process has now completed without adverse action towards the Council.

As at the date of drafting there remain objections from a different local elector, relating to the years ending 2017 and 2018, assigned to the predecessor auditor. A senior representative of the responsible audit firm, BDO LLP, attended the Audit & Accounts Committee most recently in February 2023 and committed to progressing these matters urgently.

Largely as a consequence of the focus on the objections, and the nationwide issues impacting auditor capacity, the value for money conclusions of the auditor for the periods since 2018 are currently outstanding. Cambridgeshire is working with the external auditor to confirm an appropriate window for this work to take place, and would anticipate, as with the objections, receiving value for money opinions relating to multiple years concurrently.

There are growing problems nationally with completion and timeliness of external audits of financial statements, and Cambridgeshire, in common with the majority of Councils nationally does not yet have a financial statements audit opinion for the year ending 2022. For the year ending 2023 statutory timescales have reverted to the pre-pandemic stipulations. Our 2022-23 external audit is unlikely to be scheduled before the 2024 calendar year and the Council anticipates it will need to give public notice of reasons for delays with publication of draft and final financial statements. The reforms resulting from the Redmond Review of Local Audit and the uplift in audit fees resulting from the PSAA 2023-28 tender exercise are likely to take several years to bring about the improvements needed nationally to capacity and timeliness. The County Council is committed to improvement of its own processes for faster and more accurate production of statement of accounts in tandem with this.

In December 2022, PSAA confirmed the appointment of KPMG LLP as external auditor of Cambridgeshire County Council for five years from 2023/24 to 2027/28.

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## x. Risk Management

The Council maintains an approved Risk Management Policy and Risk Management Procedures, which were completely revised and updated in March 2022. The Corporate Risk Register has been updated throughout the year and presented to both the Strategy and Resources Committee and Audit & Accounts Committee at regular intervals.

During 2022/23, Cambridgeshire's Corporate Leadership Team has introduced new Risk & Assurance meetings. These formal meetings have a dedicated Terms of Reference intended to ensure regular detailed senior management oversight of the corporate and directorate risk registers, to reflect on feedback from Committee and to develop corporate oversight of risk and key independent assurances. Directorate Management Teams maintain their own risk registers and formally consider risk on a regular basis.

The Internal Audit Plan for 2023/24 presented to the Audit and Accounts Committee in March 2023 is substantially based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2023/24.

## 3. CONCLUSIONS AND APPROVAL

### 3.1 KEY GOVERNANCE DEVELOPMENTS IN 2022/23

Where key governance processes or developments in the 2022/23 financial year have not been covered in any of the preceding sections of the Annual Governance Statement, they are highlighted below for completeness.

#### i. Corporate Programmes and Projects:

A restructure of corporate services engaged in delivering programmes and projects was initiated in the 2022/23 financial year. The next stage of this work in 2023/24 will be to develop a programme of work to strengthen the Council's governance of corporate programmes and projects; this will report to Corporate Leadership Team (CLT) and the Strategy and Resources Committee.

#### ii. Shared Services and Restructuring:

In 2022, Cambridgeshire County Council and Peterborough City Council agreed to proposals to separate most elements of their existing shared services, particularly in the former People & Communities Directorate. Implementation of these proposals is complex and involves a significant degree of change at every level of the Council's services.

In order to ensure successful implementation in 2023/24 while allowing for continuing delivery of services, each Directorate will develop a transition plan. A workstream has also been established to manage wider aspects of the separation process, such as IT systems, information security and procurement.

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In addition to the separation of shared services, in 2022/23 Cambridgeshire County Council has undergone a major restructure at the most senior levels of its management. At the end of the financial year, the senior level restructure is largely complete with the majority of new Executive and Service Directors in post or due to start work by the summer. Further restructures within specific services, including Communities and Policy, are still underway.

### iii. Safety Valve Funding:

In March 2023, Cambridgeshire County Council secured a package of additional support funding worth £49 million from the Department for Education under its 'Safety Valve' programme. This programme allows the Council to balance its budget for educational provision for children with special educational needs and disability (SEND), under the High Needs Block Funding element of the Dedicated Schools Grant (DSG).

As part of this agreement, Cambridgeshire will also make a contribution of £9 million over five years towards the reduction in the overall deficit of the DSG budget, and has committed to implementing a DSG Management Plan to deliver changes to the system to make it sustainable in the long term. The Council will provide regular monitoring reports to the Department of Education detailing progress against the conditions of the grant and various performance metrics.

### iv. Waste Disposal

The Council discharges the majority of its statutory duties as a Waste Disposal Authority (WDA) through the Waste Management Private Finance Initiative (PFI) contract which started in 2008 and is due to expire in 2036. The introduction of the Environment Act 2021 and the rollout of the National Resources and Waste Strategy will result in changes to waste legislation that are highly likely to challenge current service delivery methods and increase the costs associated with the Waste PFI contract before the 2036 end date. This will therefore require the council to consider the implications for these changes for the current PFI arrangements.

The Council is committed to working with our public sector partners and has in place strong governance that includes continual consultation and transparency in its role as WDA. Our waste collection city and district council partners (including Peterborough City Council) are engaged through the Recycling in Cambridgeshire and Peterborough (RECAP) Waste Partnership. RECAP is an informal partnership where decisions are referred to a board made up of member representatives from each partner authority. Any decisions made by the RECAP board are then taken through the internal governance arrangements for each partners' own authority for formal approval.

Day to day management of the Waste PFI contract is carried out by members of the waste team who escalate any matters that cannot be resolved at operational level to a Strategic Liaison Committee chaired by an independent chair and attended by the Executive Director Place and Sustainability and the contractor's Managing Director. This provides strategic direction, oversees major contract developments, takes oversight of the effectiveness of the Contract and provides a route to escalate contractual matters.

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Following changes in legislation relating to Best Available Techniques conclusions (BATc), the permits for our private finance initiative (PFI) contracting partner operating the Waterbeach site were suspended by the Environment Agency (EA). As a consequence, waste processing at the Waterbeach site was suspended in August 2022 and alternative arrangements have been put in place until such time as an optimal solution can be implemented. This represents a significant financial risk to the Council and has necessitated additional governance arrangements to be introduced to effectively manage this project.

The widened Waste PFI BATc project is managed through a Joint Steering Group with the contractor Chaired by the Council's Head of Diligence and Best Value. The joint steering group reports directly to an internal Waste Project Board which is chaired by the Executive Director Place and Sustainability and includes senior representatives from finance, procurement & commercial and legal services. The Project Board is responsible for providing advice and direction to the BATc Project Team responsible for project delivery. Furthermore, the Project Board also ensures that officers are making decisions in the best interests of the Council and that officers are making decisions in line with the delegations allocated to them.

Elected Members receive regular, often detailed, updates from the waste service to ensure full oversight and opportunity for challenge, supporting transparency and robustness in decision making. A Waste Member Steering Group (WMSG) has been set up with cross party, cross committee representation from Environment and Green Investment and Strategy and Resources committees. This group receives regular updates from the Waste service, reviews risks, advises on matters of concern and provides a steer to the Waste Team and Officer Project Board on the strategic direction and policy formulation for the Council. Waste service matters are reported to the Environment and Green Investment committee and the financial aspects relating to the service reported to the Strategy and Resources committee.

## 3.2 SIGNIFICANT GOVERNANCE ISSUES

The Annual Governance Statement process allows the Council to identify any significant governance issues that have been identified, and the associated actions it is proposing to undertake to enhance its corporate governance arrangements. Significant governance issues are defined as those which:

- Seriously prejudice or prevent achievement of a principal objective of the authority;
- Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- Have led to a material impact on the accounts;
- The Audit Committee advises should be considered significant for this purpose;
- The Head of Internal Audit reports on as significant in the annual opinion on the internal control environment;
- Have attracted significant public interest or have seriously damaged the reputation of the organisation;
- Have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.



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A trial relating to the Guided Busway defects litigation is scheduled to take place in June 2023. The outcome of this trial has the potential to have a material impact on the Council's accounts, and is reported in the Statement of Accounts as a contingent liability.

Cambridgeshire County Council has been notified that the Health & Safety Executive intend to prosecute in relation to the deaths on the guided busway route. At the moment the Council is awaiting the detail of this.

## 3.3 FUTURE GOVERNANCE CONSIDERATIONS

Cambridgeshire does continue to face very significant future challenges associated with an increase in demand and inflation and uncertain and constrained levels of Central Government funding, and this has been exacerbated by the impact of the pandemic. The Council's Corporate Strategy and Budget is reflective of these pressures, and is subject to annual review, to ensure the major financial pressures facing the Council can be met, whilst continuing to provide effective services to the people of Cambridgeshire.

The ongoing impact of inflation is also a key governance consideration for the Council as a whole, and particularly for services managing capital projects and high value contracts. Advanced ordering of major equipment has sheltered the Council from exposure for some costs; however, not all exposure to price volatility can be managed in advance, in particular with SME (small to medium size enterprise) suppliers.

In recognising these challenges, the Council is keen to strengthen the governance framework to mitigate against the risk of governance failure that has been seen in other institutions, which has been largely a cultural issue.

To facilitate this the Council has established the Statutory Officer Group consisting of the Head of Paid Service (Chief Executive), the Section 151 Officer and the Monitoring Officer to oversee the governance framework and direct work through the Annual Governance Statement Action Plan, which will be overseen by the Audit and Accounts Committee.

In addition to this the CIPFA Framework "Delivering Good Governance" (2016) has been supplemented by work done by the Centre for Governance and Scrutiny through the "Governance Risk and Resilience Framework" 2021 which give authorities a method of strength testing their governance control environment against the CIPFA principles through encouraging a culture of good and effective governance.

The key principles of the framework are outlined below;

- 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 optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.



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- 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

Over the course of the next year the existing governance framework will be tested against these principles and work undertaken where necessary and progress reported to the Audit and Accounts Committee on a regular basis.

This will form a sound basis for improvement work which owned and driven corporately across the organisation.

## 3.4 CONCLUSION

Based on the work that has been completed, assurance can be taken that the governance arrangements at Cambridgeshire County Council are fit for purpose.

The review of the effectiveness of the Governance Framework has provided a satisfactory level of assurance on the effectiveness of the Council's governance arrangements. Arrangements in place comply with the CIPFA Statement on the Role of the S151 / Chief Financial Officer in Local Government.

The authority's Code of Corporate Governance has undergone its annual review and is due to be published on Cambridgeshire County Council's public-facing website. This document demonstrates in detail that the Council's corporate governance and policy framework is aligned to the principles outlined by CIPFA/SOLACE in their *Delivering Good Governance In Local Government Framework*, and gives more information on how governance arrangements are monitored and reviewed.

Cambridgeshire County Council is committed to ensuring the implementation of all actions that are planned to strengthen the organisation's governance arrangements, as summarized in the Action Plan at Annex A to this document. Implementation of these actions will be monitored and reported on a six monthly basis.

## 3.5 LEADER OF THE COUNCIL AND CHIEF EXECUTIVE STATEMENT

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Accounts Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Councillor Lucy Nethsingha  
Leader of the Council

Dr Stephen S. Moir  
Chief Executive

Councillor Graham Wilson  
Chair of the Audit and Accounts Committee

May 2023

# ANNUAL GOVERNANCE STATEMENT



## Annual Governance Statement Action Plan

This Action Plan has been developed taking into consideration the outcomes from the annual review of corporate governance and development of the Annual Governance Statement; actions and issues identified by the Statutory Officer Group, issues arising from the Monitoring Officer report; governance issues raised by Internal Audit reviews; and third party feedback, inspections or complaints. The implementation of the actions outlined in this plan will be monitored through the Statutory Officers Group and reported to the Audit and Account Committee.

The actions are thematically grouped under the themes of the Centre for Governance and Scrutiny “Risk and Resilience Framework.”

Action	Owner	Target Date
<b>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>		
Establish Statutory Officers Group to discuss corporate governance arrangements and issues, and to reflect on recurring themes relating to Council improvement.	Service Director: Legal & Governance	Complete
Review Member Officer protocol to ensure that it supports the roles of Members and Officers in decision making.	Service Director: Legal & Governance	30 <sup>th</sup> September 2023
Implementation of decision-making guidance to improve quality of report writing.	Service Director: Legal & Governance	30 <sup>th</sup> September 2023
<b>Ensuring openness and comprehensive stakeholder engagement.</b>		
Re-development and implementation of Partnerships Guidance	Service Director Policy & Communities	30 <sup>th</sup> September 2023
<b>Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>		
Identification of key strategic policies and procedures	Service Director Policy & Communities	Complete

# ANNUAL GOVERNANCE STATEMENT

Implement reporting against Strategic Key Performance Indicators (SKPI's) in line with the Council's Performance Framework and Strategic Framework.	Service Director Policy & Communities	30 <sup>th</sup> September 2023
Resume reporting on KPIs to the Children & Young People's Committee.	Service Director Policy & Communities	27 <sup>th</sup> June 2023
<b>Determining the interventions necessary to optimise the achievement of the intended outcomes</b>		
Consider the implementation of the Centre for Governance & Scrutiny Governance Review	Service Director: Legal & Governance	30 <sup>th</sup> June 2023
<b>Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>		
Development and implementation of Strategic Programme Management Office and Project Management Framework	Service Director Policy & Communities	31 <sup>st</sup> October 2023
<b>Managing risks and performance through robust internal control and strong public financial management</b>		
Audit & Accounts Committee to complete a review of effectiveness in line with CIPFA guidance.	Head of Internal Audit & Risk Management	31 <sup>st</sup> December 2023
Develop a three-year Risk Management Strategy outlining steps to develop and embed the Council's risk management processes.	Head of Internal Audit & Risk Management	31 <sup>st</sup> July 2023
<b>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>		
Implement updated Declarations of Interest process for employees.	Head of HR Advisory / Strategic Finance Manager	30 <sup>th</sup> June 2023
Review of the Communications Protocol	Head of Comms/Chief Executive	30 <sup>th</sup> September 2023