

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

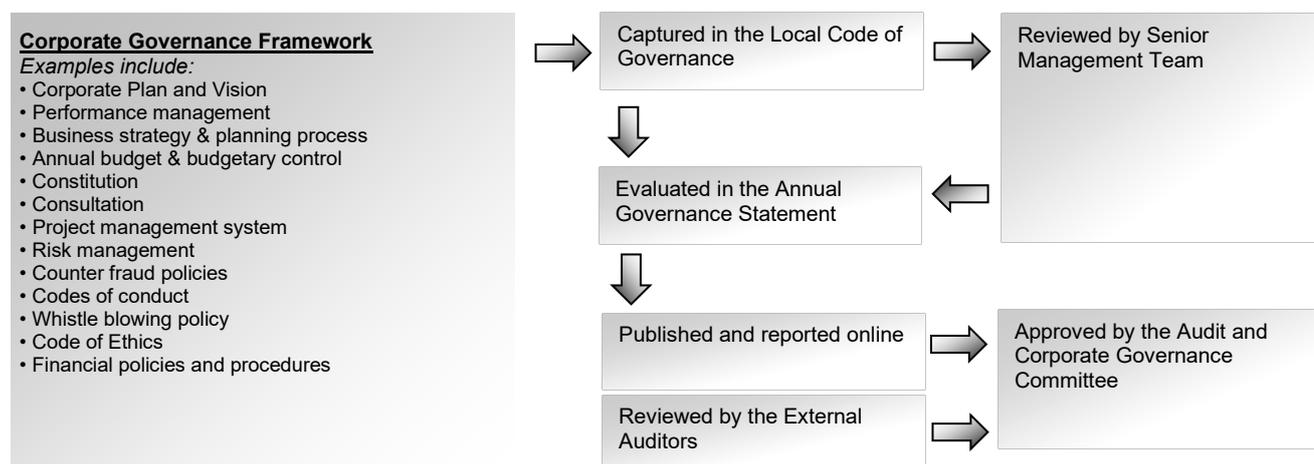
Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

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 2017 / 2018 financial year supports the Council aims and objectives, which are published on [our website](#)¹. The Vision states:

- The best place to live, work and study;
- Impressive and sustainable economic growth; and
- Quality of life in a beautiful and green environment.

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

The Vision is supported by our Delivery Plan which sets out specific and measurable actions for the year to come.

Performance against the [Corporate 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 2018, 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 / SOLACE² 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 Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives

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	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. The Chief Executive, and the Executive Director – Corporate Services, have recently retired. The Council's current Director of Health and Environmental Services will take up the role of Chief Executive on an interim basis until a new Chief Executive is appointed.
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 .

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 (2010).

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 2018. This report outlined the key findings of the audit work undertaken during 2017 / 2018, 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 2017 / 2018, 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 2016 – 2017 EY issued unqualified audit opinions on the financial statements, value for money conclusion and whole of government accounts.

Progress from the last Annual Governance Statement

The Council prepared an [Annual Governance Statement for 2016 / 2017](#) which was approved by the Audit and Corporate Governance Committee.

An update on the previous action plan is included below:

Action	Update and status
Developing a shared Financial Management System	The new Financial Management System has now been implemented and is being used throughout the Council. System and processes have been updated which are leading to improvements in procurement and information management.
Developing effective partnership arrangements with the Combined Authority	Work continues to improve the governance arrangements, and partnership relationships, as the Cambridgeshire and Peterborough Combined Authority continue to develop. Decision reports, summarising the work of the Combined Authority, have been presented to Council.
Planning a review of revised procedures for Corporate Governance: Gifts and Hospitality	A review was scheduled for 2018 / 2019, which was approved by the Audit and Corporate Governance committee, and this work is helping to inform the current review of the Constitution by the Constitution Task and Finish Group.
Developing Shared Service reporting arrangements	Reporting arrangements for Shared Services are being established. Monitoring reports are submitted to the Councils Corporate Management Team and a Shared Service Board as regular practice. Business plans for 2018 / 2019 were approved by Cabinet.

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 2017 / 2018 financial year, and governance issues, considered when completing the review are recorded below as part of the review of effectiveness. The 2017 / 2018 Statement of Accounts was not concluded by the statutory deadline, 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.

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 2017 / 2018	Further progress made to date
<p>A Behave: integrity, ethical values, respect rule of law</p>	<ul style="list-style-type: none"> • We have revised Human Resources (HR) policies, such as Dignity at Work. • The Values of the Council have been promoted to employees. • 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"> • 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.

Principle	Review of effectiveness for 2017 / 2018	Further progress made to date
<p>B Openness & stakeholder engagement</p>	<ul style="list-style-type: none"> • Human Resources “Drop in sessions” were held throughout the year, enabling employees to discuss and understand relevant topics such as job evaluation and health and wellbeing. • A user group was setup with partners to proactively manage complaints with the A14 development. • A Joint Strategic Needs Assessment was used to inform Health and wellbeing priorities. • We started up a “Let’s Talk” engagement, which included workshops and events to inform Corporate Objective setting. Examples included focus groups with a range of stakeholders including LGBT, Religious Groups, and new residents. Further business engagement was developed under the “Let’s Talk Business” programme; feedback informed the development of the 2018 / 2019 Corporate Plan • Manager used “Action learning leadership” to review the equality scheme and make recommendations to the Executive Management Team with the priorities and resourcing. 	<ul style="list-style-type: none"> • A revised Business Plan was developed for 2019 – 2024 to set priorities for our communities and businesses. This included consultation and was published on our website. The plan 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.

Principle	Review of effectiveness for 2017 / 2018	Further progress made to date
<p>C Defining outcomes – economic, social, environmental</p>	<ul style="list-style-type: none"> Executive Management Team and the Corporate Management Team worked together to help develop a new Corporate Plan with members. We delivered a trailblazer project to address homelessness which included a number of external agencies. We responded to some of the recommendations from a Local Governance Association Peer Review, such as Shared Services Strategic Position Statement, preparing for the potential creation of a combined authority. The Council established Shire Homes as an innovative solution to addressing housing need in the district. 	<ul style="list-style-type: none"> 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. A revised Business Plan was developed for 2019 – 2024 to set priorities for our communities and businesses. This included consultation and was published on our website.
<p>D Determine interventions to achieve outcomes</p>	<ul style="list-style-type: none"> We updated the project management toolkit to provide guidance on business benefits realisation, and also to share lessons learnt for continued improvement. We ran training for project sponsors to help embed good project management governance. Shared Services governance was developed with reports presented regularly to the Corporate Management Team, and the Shared Services Board. Business plans were approved by Cabinet. 	<ul style="list-style-type: none"> The Council has commissioned Castlerigg to provide an independent review of the Council, which is focussed on making sure the Council can deliver on the priorities going forward. This reflects the governance of shared services, having the right skills to be more commercial in our approach, and also investing to deliver a return.

Principle	Review of effectiveness for 2017 / 2018	Further progress made to date
E Develop capacity and capability of entity	<ul style="list-style-type: none"> We completed a review of the key documents including our Learning & Development Policy, a new management competency framework, adopted an apprenticeship strategy, and continued training and development for employees. Development of shared services is helping the Council to build resilience and develop expertise. 	<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 and recruitment is in progress.
F Manage risk & performance, internal control, finance	<ul style="list-style-type: none"> The Council has implemented a new Financial Management System, to develop resilience and introduce smarter ways of working. A Quality Assurance and Improvement Programme, of compliance to the Public Sector Internal Audit Standards, was completed as good practice. 	<ul style="list-style-type: none"> External audits were completed on the 2016 / 2017 group accounts, which provided assurance, and this is being supplemented by a risk based program of internal audit work. 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. The Strategic Risk Register is being reviewed to align to the priorities of the new Business Plan.

Principle	Review of effectiveness for 2017 / 2018	Further progress made to date
<p>G Transparency, reporting, audit, accountability</p>	<ul style="list-style-type: none"> • The revised Corporate Plan was designed to be more accessible and easier to read. • The Council received an unqualified opinion on the statement of accounts for 2016 / 2017. 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. 	<ul style="list-style-type: none"> • 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 a 24 / 7 online customer portal designed to improve business processes and the customer experience. • There has been a delay to concluding the 2017 / 2018 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. They address both significant governance issues that have arisen during 2017 / 2018, and also forward looking matters identified for 2018 / 2019. 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 2016 / 2017 these were not approved by the deadline. An earlier timetable for completion was established as part of the Accounts and Audit regulations 2015. The Council set a robust timetable for completion of the 2017 / 2018 accounts, and published a draft version on the Council's website for consultation. 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 expect to issue an unqualified audit opinion on the financial statements. However, in light of the financial reporting challenges the Authority has experienced, they will be issuing a qualified report on the arrangements to secure economy, efficiency and effectiveness in the Council's use of resources.</p> <p>The Council has planned to undertake a 'lessons learnt' and risk appraisal to improve the completion process of the 2018 / 2019 accounts. The Council has recruited a Principal Accountant, plus a Deputy Head of Finance, and these substantive resources will help manage the process. In addition, the Council will use closedown procedures for their new Financial Management System. The system is shared with partner Councils, and one of the partners has already used the procedures successfully to complete a Statement of Accounts within the target timescale.</p>	Executive Director – Corporate Services and S151 Officer

Subject	Opportunity	Responsible Officer
Review of anti-fraud and corruption policies	The Council completes a continuous review of its counter fraud arrangements based on good practice. Policies will be reviewed to see if any improvements can be adopted.	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. The Budgeting and Forecasting module is being developed further, with the suppliers, for implementation throughout 2018 / 2019. In addition, the Council will implement a new Asset Management system, which will improve the data management and record keeping.	Executive Director – Corporate Services & Head of Finance
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.	Head of People and Organisational Development

Subject	Opportunity	Responsible Officer
Environment	<p>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.</p>	<p>Head of Service, Environmental Commissioning</p>
Risk management review	<p>The Council has completed a review of the risk management framework and is currently refreshing its Strategic Risk Register. This will help ensure risk identification is aligned to the new Business Plan, and resources for further mitigation are effectively allocated.</p>	<p>Executive Director – Corporate Services & Risk Management Group</p>

Conclusion and opinion

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.

Signed:

Signed:

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Councillor Bridget Smith
Leader of the Council

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Liz Watts
Chief Executive

Date:

Date:

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