

# ANNUAL GOVERNANCE STATEMENT

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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 formal Code of Corporate Governance, which is consistent with the seven 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*.

The effectiveness of key elements of the governance framework are assessed throughout the year by the Statutory Officers Group, Corporate Leadership Team (CLT), the Audit and Accounts Committee, Internal Audit and other Officers and Members as required. The review of effectiveness is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates.

This statement summarises the outcomes of the Council's review of the effectiveness of the governance arrangements in place throughout 2023 -4; explains how the Council has complied with its Code of Corporate Governance; and also meets the requirements of regulation 6(1)(b) of the Accounts and Audit Regulations 2015, which requires 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 the 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

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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 2024 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

The key elements of the systems and processes that comprise the Council's governance arrangements are outlined in the Code of Corporate Governance and include:

### 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. 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:

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- 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;
- 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

In 2016 CIPFA/SOLACE issued revised best practice guidance for Delivering Good Governance in Local Government, setting out seven principles that should underpin the governance of each Local Authority. This has also now 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.

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 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:

- The work of the Statutory Officers Group comprising the Chief Executive, Monitoring Officer and s151 Officer. This group meets regularly to discuss corporate governance arrangements and issues, and to reflect on recurring themes and spheres of activity relating to Council improvement.

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- Assurances from executive managers within the Council who have responsibility for the development and maintenance of the governance environment, including the completion of Self-Assurance Statements by all directors.
- The Head of Internal Audit and Risk Management's annual report and opinion on the internal control environment, which draws upon the outcome of audit reviews undertaken throughout 2023/4; and an annual review of the Council's Code of Corporate Governance undertaken by staff within Internal Audit.
- 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.

In 2023/4, the *Governance Risk & Resilience Framework* has been used as the structure for the review of effectiveness, which was conducted by key officers including the Chief Executive, Monitoring Officer, s151 Officer and Head of Internal Audit.

## 2.2 REVIEW OF EFFECTIVENESS

The key aspects of the review of effectiveness are outlined below, grouped against the seven characteristics of governance in the *Governance Risk & Resilience Framework*. This report reflects the structures in place during the 2023/24 financial year and highlights any changes during the course of the year.

### i. Extent of recognition of individual and collective responsibility for good governance

Considerable work has been undertaken in 2023/4 to develop the Council's approach to decision-making, ensuring that early financial and legal discussion is considered fundamental for all decisions. The Council has implemented a new Policy & Service Committee template which prompts a strong focus on evidencing consideration of financial, legal and risk implications for all proposals as well as ensuring that alternative options have been considered in full. The Monitoring Officer has led work to engage with Pathfinder Legal Services, the Council's legal services provider, to improve the embedding of PLS into the organisation as well as developing better client-side management of legal commissioning by the Council. This work will continue to be a focus in 2024/5.

The Chief Executive meets weekly with Group Leaders, and service Spokes meetings take place monthly or six-weekly to consider key issues and future issues for decision. Chairs and Vice-Chairs of Committees meet with Corporate Leadership Team (CLT) and Group Leaders maintain deputies.

The CLT itself is recognised as having a key role in ensuring good governance and establishing a culture of transparency, accountability and ethical decision-making across the organisation. Weekly CLT meetings are convened at which the Corporate Leadership team are able to escalate and share emerging risks and issues, discuss and approve proposed policy and operational changes, and review key performance and financial information.

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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.

Under Public Sector Internal Audit Standards (PSIAS), Internal Audit teams are required to undertake an annual self-assessment of their compliance with PSIAS, and undergo an external review of compliance every 5 years. The most recent external 'peer-to-peer' review by the Head of Internal Audit at Peterborough City Council was completed in 2022/3, and concluded that the CCC Internal Audit team fully conforms to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. The Internal Audit team self-assessment conducted in 2023/4 also confirmed that the team is operating in compliance with the Standards.

From the audit reviews undertaken during 2023/24, 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 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 30th May 2024. The report outlined the key findings of the audit work undertaken during 2023/24, including areas of significant weakness in the internal control environment. 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 2023/24 financial year, it is the Head of Internal Audit's opinion that overall Internal Audit can provide moderate assurance over the system of internal control in place at Cambridgeshire County Council for the financial year ended 31st March 2024.<sup>1</sup>*

*This opinion is derived from an assessment of the range of individual opinions arising from work completed in 2023/24 by the Cambridgeshire Internal Audit team, taking account of the relative materiality of each area under review and the findings; assessment of other evidence and assurances about the organisation's arrangements for internal control and managing risk; and ongoing review of 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 Annual Internal Audit Report and at Annex A to the report.*

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

- *Assurance opinions from Internal Audit reviews in 2023/24 showing a predominance of*

<sup>1</sup> The opinion of 'moderate' assurance reflects the 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 and full definitions of the assurance opinions in use, please see Section 3.2.4 of the Annual Internal Audit Report.

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*'moderate' audit opinions. A single audit (Dedicated Schools Grant Safety Valve programme) identified findings which were deemed to have the potential for a 'major' organisational impact if the identified risks materialised. See Section 4.1 of the Annual Internal Audit Report for more details.*

- Procurement and contract management continues to represent a key area of risk and focus for Cambridgeshire County Council, and this has been reflected in the Internal Audit plan and the findings of audit work completed throughout the year. The Council has undertaken a range of actions to strengthen the control environment around procurement and contract management throughout 2023/4. See Section 4.5 of the Annual Internal Audit Report for details.*
- Project/programme management and change has been highlighted as a risk area for the authority, based on audit work completed in 2023/4. A range of actions to strengthen both revenue and capital project management controls have been agreed as an outcome of these audits, with actions due for implementation in 2024/5, and this risk area will therefore continue to be a focus for the Audit Plan in the coming year. See Section 4.9 of the Annual Internal Audit Report for details.*
- 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, while highlighting some areas within the corporate framework which require further development. The Council has progressed the implementation of actions identified within the 2022/3 Annual Governance Statement throughout the year, resulting in a range of improvements to organisational governance.*
- 75% of agreed audit actions due for implementation in 2023/24 have been completed by the organisation. This is an improvement on the implementation rate of 62% for 2022/3 and 64% for 2021/22, despite a higher number of actions being due for implementation in 2023/4 compared to the prior year. Each action completed represents an improvement in the Council's systems of internal control. See Section 4.1 of the Annual Internal Audit Report for more details.*
- Reviews of Key Financial Systems for which Cambridgeshire County Council is the Lead Authority have historically demonstrated a good or moderate assurance across all systems. At the time of writing, the 2023/4 Pensions Administration report has yet to be issued in draft by the Cambridgeshire audit team; draft opinions for the Accounts Payable and Income Processing audits are awaited from Lead Authority partners; and the Debt Recovery review has only just started fieldwork. This does reduce the assurance that can be given over these systems compared to the 2022/3 Annual Report; however, some assurance can be taken from the detailed prior-year audits of these areas carried out by the Cambridgeshire team, and the 15 actions which have been confirmed as implemented in 2023/4 to address the findings of previous audits of Accounts Payable, Income Processing and Debt Recovery. See Section 4.2 of the Annual Internal Audit Report for more details.*

*During 2023/24, the Council's Internal Audit service:*

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- *Operated in conformance with Public Sector Internal Audit Standards (PSIAS) requirements, and undertook a self-assessment against PSIAS during the course of the year. See Section 7.2 of the Annual Internal Audit Report for more detail.*
- *Had unrestricted access to all areas, systems and information across the authority.*
- *Received appropriate co-operation from officers and Members.*
- *Operated independent of the organisation, as per the Internal Audit Charter, with no compromises of Internal Audit's independence this year.*
- *Had only just sufficient resources to enable it to provide adequate coverage of the authority's control environment. See Section 7.3.3 of the Annual Internal Audit Report for more details.*

*As a result, there are no qualifications to the 2023/24 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 30th May 2024.

The Internal Audit Plan for 2024/25 presented to the Audit and Accounts Committee on 28<sup>th</sup> March 2024 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 2024/25.

The role of external audit, and the relationship between external audit and the Council, is also an important part of the governance framework. External audits ensure that statutory accounts are independently verified, trustworthy and comprehensible to users, as well as encouraging strong governance and adherence to financial and regulatory frameworks. External auditors provide assurance that local authorities are achieving value for money through their use of public resources. However, the delivery of external audits in the UK public sector is facing several challenges including a high backlog of overdue audit opinions, with 771 overdue audits as of 31<sup>st</sup> December 2023.

Cambridgeshire County Council has also been affected by the sector-wide issues and has experienced a backlog of overdue opinions from its former external auditors. In 2023/4, progress has been made towards resolving some of the most overdue work; the outstanding objections to the 2016/17 and 2017/18 accounts were determined by the Council's former auditor BDO and subsequently audit completion certificates have been received for both of these years. The Council's former auditors EY are working to complete the outstanding 2018/19 – 2021/22 accounts, and regular updates on progress have been provided to the Audit & Accounts Committee throughout the year.

These delays over a period of several years have impacted on the extent to which the Council has been able to take assurance over its governance arrangements from the work of external audit. However, the completion of the outstanding BDO audits and the updates received from EY regarding their outstanding audit work means that this position has improved in 2023/4.



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Issues highlighted by interim EY reporting include consistent findings of inconsistent record-keeping in respect of the procurement of goods and services, but recognise that the Council was aware of a number of weaknesses around procurement and was implementing action to respond to these issues prior to receipt of external audit reporting. In 2023/4 there has been a strong focus on improving the organisational culture around procurement and contracting, and ensuring that expectations around compliance with Contract Procedure Rules are clearly communicated to all officers. The authority has implemented a new Breach Procedure to ensure that any non-compliance with Contract Procedure Rules is reported and addressed, which will be in place for the start of the 2024/5 financial year. In line with the interim value for money reporting from external auditors, strengthening procurement and contract management controls will continue to be a key area of focus for the Council in 2024/5.

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. The 2023-24 Statement of Accounts are due for completion in draft form for submission to KPMG as our external auditors by 31 May 2024

In addition to the work of internal and external auditors, the Council maintains robust and effective whistleblowing systems. The Audit & Accounts Committee receive regular updates on whistleblowing, and on 28<sup>th</sup> March 2024 received the Annual Whistleblowing Report, which provides an overview of whistleblowing cases and outcomes, the results of the staff survey on whistleblowing, internal communications exercises and more. The annual staff survey conducted in November/December 2023 indicated a high degree of staff awareness of and trust in the whistleblowing policy, and a self-assessment benchmarking exercise was undertaken in early 2024 with the whistleblowing charity Protect. This has led to the development of an action plan to further develop whistleblowing arrangements, with a particular focus on staff training, which will be implemented in 2024/5.

Significant work has been undertaken in 2023/4 to develop the corporate approach to programme and project management and introduce clear lines of reporting and accountability for projects and programmes. During 2023/24 we have put in place a governance process to oversee the delivery of our Change Programmes across the organisation, with a council-wide Change Board being chaired by the Chief Executive. This will strengthen our grip on the delivery of change in relation to our council priorities, our business plan and related savings and our principal council-wide strategies. A new Project Management Framework and project assurance arrangements have also been developed, and Internal Audit reviews have been completed both on the draft Project Management Framework and on project governance within capital projects and the schools capital programme, with actions for further development in these areas agreed by management.

The full implementation of the Change Board system and the new Framework in 2024/5 will support the Council's ability to demonstrate strong governance arrangements across all projects and programmes. In line with this, going forward the Council needs to continue developing its ability to effectively deliver work which cuts across the organisation's line management structures, as well as developing the organisational culture to support cross-cutting work.

## ii. Awareness of political dynamics

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Developing improved awareness of political dynamics has been a key area of focus for the Council in 2023/4 and will form a significant element of the Annual Governance Statement Action Plan in 2024/5. Cambridgeshire operates a Committee system of governance, and it is recognised that officers and Members who are used to operating within authorities which follow a Cabinet system may be less familiar with the decision-making processes and powers within a Committee system.

Officer awareness of how to work effectively in a political environment remains an area for development at Cambridgeshire, in particular the need for officers to understand the role of Members, political decision-making processes, and how and when to share information with Members. Ensuring that Members are always kept informed of developments in their local area is also an area for improvement.

Equally, the Council would also benefit from increasing the level of understanding across the wider Member cohort in respect of organisational and decision-making responsibilities and boundaries, with a focus on distinctions between operational and strategic decision-making. In 2023/4, this split between the 'strategic' role for members and 'operational' role for officers has been strengthened and reinforced; work on this will continue going forward and the Council will begin making plans for Member induction following the May 2025 elections. In particular, during 2023/24 we have re-established our approach to routinely updating Committee cross-party Spokes on key issues that include items that sit outside of the business agendas of each committee. This will ensure our political leaders are more effectively briefed on council matters.

### iii. How the council looks to the future to set its decision-making priorities

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.

During 2023/24 we have revised and comprehensively documented our Business Planning process. This has included developing a detailed guidance document for officers, with clarity on the roles and responsibilities of different officers, directorates, corporate leaders and includes a 'gated' timeline. This process now embeds evidence gathering and dissemination at the heart of this work. Part of this evidence is the residents' Quality of Life Survey, which we carried out for the first time in 2023. This will be repeated and extended to include more work with hard-to-reach groups in 2024.

This strengthened process means that we have a more robust way of assuring that we have an evidence-based approach to future decision-making priorities. The Business Plan, including the refreshed Strategic Framework for 2024/5 was approved by Full Council on 13th February 2024. A separate s25 Report was considered by the Strategy, Resources and Performance Committee in the setting of the 2024/25 budget.

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The Council has also sought to learn from the work undertaken in 2023/4, with the Business Planning process having been refreshed by the Corporate Leadership Team and the launched with Extended Leadership Team in March 2024, introducing a phased approach with distinctive stages, clear timelines and preplanned decision points. This revamped process aims to streamline and enhance the effectiveness of the business planning activities. Work with the Corporate Leadership Team to enhance awareness and understanding of the political nature of strategic planning and decision-making is planned in 2024/5, including a session focused on the Local Government Association guidance on setting up joint arrangements.

Going forward, the Council will continue seeking to enhance its ability to clearly demonstrate the alignment of its strategic framework and business plan with its day-to-day operations, ensuring that the Council's strategy guides decision-making at all levels, informs organisational culture, and is explicitly linked to the organisation's performance management systems.

In support of these objectives, Cambridgeshire County Council has undergone extensive restructuring in recent years; in part this has sought to develop and solidify the Council's corporate core, ensuring sufficient professional expertise in place for key functions which protect and support the organisation's governance framework. Cambridgeshire has also undertaken work in 2023/4 to enhance the effectiveness of its relationship with its legal services provider Pathfinder Legal Services, and particularly to ensure that appropriate legal advice is always commissioned in a timely way in advance of decision-making by the Council.

All decisions are now tracked through the Corporate Clearance Group (CEX, MO, S151) that meet regularly to monitor reports coming forward. All have mandatory finance, legal and equalities sign offs. A new report writing guide and template and have been produced and circulated, and work has also been done to strengthen Officer Delegated Decisions so that these are tracked and monitored as well as published.

In 2024/5 the Council will seek to develop full awareness of organisational capacity and capability amongst political leadership to ensure that motions presented at Council meetings have gone through sufficient prior consultation and are presented with full understanding of the organisation's capacity to respond and implement the agreed actions.

#### iv. Officer and councillor roles

All Council employees and Members must conduct themselves in accordance with the terms of the Officers' Code of Conduct and Members' Code of Conduct as set out in parts 5-1 and 5-2 of the Council's Constitution. These Codes are intended to promote high standards of behaviour for officers and members, and include requirements to declare financial interests, gifts and hospitality in line with the officer and Member declarations of interests process. The Member's Code of Conduct was most recently updated in October 2022, while the Officer's Code of Conduct was refreshed in May 2023; in 2024/5 the Council intends to formally adopt the Local Government Association Model Councillor Code of Conduct.

The Constitution also contains a clear Protocol on Member / Officer Relations, and a Code of Practice for elections and referendums. In October 2023, these were supplemented with a new media protocol, setting out a series of principles and protocols for proactive communications with media and social media. The shared objective of these codes is to enhance and maintain the

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integrity of local government governance, in alignment with the seven Nolan principles of public life: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

The Council also maintains a clear process by which individuals may raise a complaint about the behaviour of a Councillor or co-opted member, if they believe that he or she has breached the Code of Conduct.

In general, Member behaviour is consistently in line with the Code of Conduct. This municipal year, the Monitoring Officer has received and assessed 36 complaints under the Council's assessment framework in conjunction with the Council's independent person. In most cases the assessment indicated that the threshold had not been met for an investigation.

More generally, the Council's Constitution has been kept under review throughout the year with oversight from the Constitution and Ethics Committee and its working group. During 2023/4, the Constitution has been updated a number of times to reflect best practice and provide clarification over delegations and the allocation of responsibility for functions. Updates have been made in line with outcomes from the Centre for Governance & Scrutiny report, including updates and changes to the Contract Procurement Rules, the Budget Debate and Motions.

This year, following a survey of users, the Committee will be considering a wholesale review of the Constitution led by the working group to make it more understandable and easier to navigate.

In respect of the role of key 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 (DCS) and Director of Adult Social Services (DASS) were effectively fulfilled during 2023 - 24 and up to the date of this report.

There have been several changes in statutory officers at Cambridgeshire County Council during the course of 2023/24, with a new Executive Director for Children, Education and Families (DCS), and new Executive Director for Adults, Health and Commissioning (DASS) both taking up post in the summer of 2023.

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.

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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 within this report.

The Council's People Strategy 2023 – 28 was approved by Full Council on 16<sup>th</sup> May 2023 and the Council's commitments to recruiting, retaining and developing its staff as set out within the Strategy will continue to be a focus in the 2024/5 financial year.

In 2023/4, personal development of officers and Members has been an area of development. Mandatory e-Learning courses are now in place for staff, covering key areas including information security, health and safety, and the Council's Climate Change and Environment Strategy. This will continue to be rolled out in 2024/5, and further targeted training is also planned, including delivery of procurement and contract management training to officers with responsibility for managing contracts. Additionally, documented guidance is available to all officers on the Council's intranet regarding understanding decision making processes, delegated decisions, writing reports to Committee and more.

As part of our 2023/24 year-end Our Conversations appraisal process we have implemented a form to capture compliance with mandatory training relevant to officers' roles and responsibilities. This will help reinforce individual responsibility with respect to good governance.

In 2023/4, a newsletter for Members has been introduced, and Members are also now able to access recorded training sessions in addition to a live programme of training. A Member Development Panel oversees the Member Development Programme, and the Panel makes good use of the training sessions offered by the LGA. The Council will continue to work to increase the consistency of Member training and development, and support greater attendance and engagement in these development sessions from Members.

## v. How the council's real situation compares to its sense of itself

The establishment of an Assets and Procurement Committee in 2023/4 following a review of governance by the Centre for Governance & Scrutiny has provided more time for the Council's Strategy, Resources, and Performance Committee to fulfil its role in relation to risk and performance management.

The Council's performance management systems and processes have been undergoing review, and a new Performance Management Framework is going to Strategy, Resources and Performance Committee for approval in July 2024. The new framework includes a revised approach to oversight of performance through our Policy and Service committees, and will clarify the role of each of these committees in overseeing performance in relation to their respective terms of reference. This framework will facilitate a more effective and more comprehensive reporting of performance across all aspects of our activity – business as usual service delivery and improvement, delivery of our portfolio of change programmes and projects, delivery against our capital plans and our savings targets.

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

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Strategy, Resources and Performance Committee, in addition to the quarterly Finance Monitoring Reports supplied to service committees.

The Council maintains an approved Risk Management Policy and Risk Management Toolkit, which were completely revised and updated in July 2023, as well as a Risk Management Strategy. The Strategy includes an Action Plan to further strengthen the Council's risk management activity, following a Risk Maturity Assessment exercise undertaken in April 2023 in line with Institute for Internal Auditors guidelines. In 2023/4, key actions completed from within the Strategy include reintroducing an officer Corporate Risk Group and including specific prompts to include risk information in decision-making reports, as part of the introduction of a new report template for Policy & Service Committees. Implementation of the Strategy will continue in 2024/5.

The Corporate Risk Register has been updated throughout the year and presented to both the Strategy, Resources and Performance Committee and Audit & Accounts Committee at regular intervals, with risk management training delivered for all Members in September 2023. There is a need for the Council to continue developing its risk maturity and as part of that, to support Members in taking the lead on setting the corporate risk tolerance and risk appetite, and developing Member confidence in scrutinising risk management activity.

Cambridgeshire's Corporate Leadership Team (CLT) undertake regular 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 Council undergoes third party reviews by external regulators and other bodies and aims to consistently deliver improvements against any recommendations made by external parties. In March 2024, the Council underwent an Ofsted inspection of its local authority children's services the outcome of which was an assessment that these services "require improvement to be good", although evidence of concrete and significant improvement in recent months was also noted. In 2024/5, Cambridgeshire will develop and implement an action plan to address the key risks and recommendations raised by the Ofsted report.

## vi. Quality of local (external) relationships

Cambridgeshire County Council consistently meets statutory deadlines for publication of agendas, information, reports and decisions, with information published both on its corporate website and through the Cambridgeshire Insight website which acts as a shared research knowledge base for the Cambridgeshire and Peterborough local area. The Council also maintains a good track record in its response to Freedom of Information (FOI) requests, with FOI performance improving in 2023/4.

Cambridgeshire does have potential to develop its approach to public consultation further, and this may be an area of focus for future Annual Governance Statements. In 2024/5, the authority is intending to undertake an external LGA healthcheck on its approach to communications and consultation and further actions to improve the Council's performance in this area may be identified through the healthcheck process.

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In 2023/4 and into 2024/5, the Council has continued to decouple its partnership working with Peterborough City Council, with ICT and Public Health arrangements for the two Councils in the process of being separated. This separation has stood Cambridgeshire County Council in good stead, ensuring that the Council is engaging directly with its local communities and partners and allowing the Council to refocus and re-energise relationships with its external partners, particularly Cambridgeshire Police.

Cambridgeshire County Council recognises that it has a significant role in system leadership for the public sector in Cambridgeshire and that its partnership relationships are important both to the Council and local communities. Our local stakeholder and partnership relationships with bodies such as the Integrated Care Board and the Cambridgeshire & Peterborough Combined Authority are crucial to ensuring that work across the public sector in Cambridgeshire is conducted effectively. Relationships with the community and voluntary sector in Cambridgeshire are generally positive and engaged, and the Council and public sector partners are effective at ensuring that partners are informed of key upcoming developments across the local area. In particular in 2023/4, the Council has worked closely with other local public bodies on the Anti-Poverty Strategy and supporting improvement work at the Combined Authority.

Financial relationships represent a significant element of the risk associated with partnership arrangements, and this is particularly true of relationships with the NHS which are often high-value in nature. In 2023/4 Cambridgeshire made the decision to end its pooled budget arrangement relating to the Learning Disability Partnership and has recognised the risk of failure of key partnerships on its Corporate Risk Register.

The Council's Partnerships Governance Framework and toolkit has been refreshed and updated in 2023/4 and we have also mapped our principal partnerships across the council. In 2024/25 we will test and launch a self-assessment tool for officers to use to help us evaluate the effectiveness of our partnerships to inform actions for improvement and to help with the management of risk, in what is a very complex partnership environment.

Looking to 2024/5, the Council also needs to review and refresh its processes around complaints from members of the public to ensure these are used to consistently drive improvement where needed. In particular, the Adults Social Care Complaints Policy will be reviewed and updated.

## vii. The state of member oversight through scrutiny and audit

Cambridgeshire County Council operates a Committee system, meaning that scrutiny is intended to operate as an inherent part of the committee process, and there are no separate standalone scrutiny committees. Items for decision are scrutinised in detail before a decision is taken at the meeting and some specific items are also scrutinised at working groups. In 2023/4, work on report writing and report templates for Committees was undertaken to improve the quality of reports; looking ahead to 2024/5, there is further work for the authority to develop consistency in the Council's approach to scrutiny and ensure this is embedded. This will include increasing the emphasis on scrutiny within the Member's training programme.

The Adults and Health Committee has delegated authority to discharge the Council's statutory health scrutiny function. It is supported in this role by five non-voting co-opted members

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representing the city and district councils. Delivery of the health scrutiny function was reviewed by the Centre for Governance & Scrutiny in 2023, as part of its wider review of the Council's Governance process. As a result of this review, new work programming arrangements have been introduced for 2024/25 to make health scrutiny more outcome-focused. This has included the Committee collectively agreeing the criteria against which potential scrutiny topics should be assessed, a committee workshop to identify scrutiny priorities for 2024/25 and the introduction of a formal scoping process.

Executive decisions were made by one of the Council's seven cross-party Policy and Service committees and the Strategy, Resources and Performance 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 and Performance Committee, which must be made within 3 days of a decision being published.

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 2023/24, 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. Additionally, in 2023/4 the Committee conducted its first Review of Effectiveness in line with best practice, identifying a number of development actions for the Committee to undertake to improve its effectiveness overall. A number of key actions, including implementing a shared drive to allow all Committee members to access Internal Audit reports and conducting a feedback exercise, have been completed. In 2024/5 further action to strengthen the role of the Committee will be undertaken, including a review of its Terms of Reference.

## 3. CONCLUSIONS AND APPROVAL

### 3.1 KEY GOVERNANCE DEVELOPMENTS IN 2023/24

Where key governance processes or developments in the 2023/24 financial year have not been covered in any of the preceding sections of the Annual Governance Statement, they are highlighted below for completeness.

#### i. This Land Ltd:

The shareholder governance surrounding This Land were strengthened in 2023/4 through the establishment of the Shareholders Review Group (SRG). The Council continues to review the strength of loans to This Land, although the financial reserves were amended to reflect a greater risk.



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## ii. ICT Service Decoupling:

The Council is decoupling its ICT services from a Shared Service s113 Agreement with Peterborough City Council and will need to assess its control environment during and as a result. Public Services Network (PSN) IT security accreditation was secured in 2023.

## iii. Guided Busway Legal Procurement:

An Internal Audit review of legal procurement relating to the Council's Guided Busway identified some weaknesses in respect of compliance with the Council's Contract Procedure Rules. A number of actions were agreed following the review including the new Breach Procedure to investigate and report any non-compliance with Contract Procedure Rules.

## iv. Dedicated Schools Grant Safety Valve:

Due to a cumulative deficit of £48.6m at the start of 2023/2024 in the Council's Dedicated Schools Grant (DSG) budget, the Department for Education (DfE) enacted a "Safety Valve" Agreement with the Council in March 2023. This agreement was for DfE to pay CCC an additional £49m in DSG funding between 2022/23 and 2026/27, on the condition of CCC complying with the terms of a Safety Valve Agreement. As part of this, the Council committed to reach a positive in-year balance on its Dedicated Schools Grant account by the end of 2026/27. The Council has implemented a programme to deliver the terms of the Agreement.

The agreement is subject to review by the DfE, and in November 2023, the DfE invited CCC into the Enhanced Monitoring and Support (EMS) programme and it was agreed in November 2023 the project should be 're-set' to start the process again. Delivery of the Safety Valve programme will remain a focus for the Council in 2024/5.

## 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;

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- Have resulted in formal action being undertaken by the Chief Financial Officer and / or the Monitoring Officer.

Cambridgeshire County Council has been notified that the Health & Safety Executive intend to prosecute in relation to the deaths on the guided busway route. A court summons has been served and the Council is awaiting the receipt of prosecution papers which it will need to consider in advance of the hearing date. Appropriate governance arrangements have been put in place to ensure legal advice and expenditure relating to this is managed in accordance with the Council's rules and procedures.

In 2024/25, the Council will also need to assess options regarding the provision of its Waste Disposal PFI contract closely for financial consequences and impact to ensure this is affordable.

### 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

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- 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.
- 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.

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Councillor Lucy Nethsingha  
Leader of the Council

Dr Stephen S. Moir  
Chief Executive

Councillor Graham Wilson  
Chair of the Audit and Accounts Committee

May 2024