

Draft Annual Governance Statement 2021-2022

To: Audit & Accounts Committee

Date: 31st May 2022

From: Head of Internal Audit and Risk Management

Electoral division(s): All

Purpose: This report presents the draft Annual Governance Statement (AGS) for 2021 - 22 for consideration by the Audit and Accounts Committee. The final version will be signed off by the Chief Executive and the Leader of the Council.

Recommendation: Audit & Accounts Committee is requested to consider if the draft AGS at Appendix A is consistent with its own perspective on internal control within the Council and the definition of significant governance and control issues given in paragraph 3.2.

Officer contract:

Name: Mairead Claydon
Post: Acting Head of Internal Audit & Risk Management
Email: Mairead.Claydon@cambridgeshire.gov.uk
Tel: (01223) 715542

Member contact:

Name: Councillor Wilson
Post: Chair, Audit & Accounts Committee
Email: Graham.Wilson@cambridgeshire.gov.uk
Tel: 01223 706398

1.0 Purpose

- 1.1 The Council is required to include an Annual Governance Statement (AGS) as part of the Annual Statement of Accounts. The AGS summarises the extent to which the Council is complying with its Code of Corporate Governance and details, as appropriate, any significant actions needed to improve the governance arrangements in the year ahead. The final statement will be signed by the Chief Executive and the Leader of the Council.
- 1.2 The AGS is an important statutory requirement which enhances public reporting of governance matters. It should therefore be honest and open, favouring disclosure.
- 1.3 The draft AGS is presented to the Audit and Accounts Committee in order to ensure that it reasonably reflects the Committee's knowledge and experience of the Council's governance and control.

2.0 Background

- 2.1 The draft AGS (at Appendix A) has been compiled by officers in Internal Audit and Risk Management based upon the following:
 - A review of the extent to which the Council has complied with each element of its Code of Corporate Governance;
 - A review of the Council's Code of Corporate Governance itself, based on the CIPFA/Solace *Delivering Good Governance in Local Government* Framework.
 - Self-assurance statements prepared by directors and input from the Cambridgeshire Corporate Leadership Team;
 - The Head of Internal Audit's opinion on the Council's internal control environment, which will also be reported to the Audit & Accounts Committee on 31st May 2022.

3.0 The Annual Governance Statement

- 3.1 The Statement is prepared in accordance with guidance from the Chartered Institute of Public Finance (CIPFA) and the Society of Local Authority Chief Executives (Solace). The key elements identified in the Statement are:
 - The Council's responsibilities for ensuring a sound system of governance;
 - An assessment of the effectiveness of key elements of the governance framework, and the role of those responsible for the development and maintenance of the governance environment;
 - An opinion on the level of assurance that the governance arrangements can provide and whether these continue to be regarded as fit for purpose;
 - The identification of any significant governance issues, and an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
 - Reference to how issues raised in the previous year's Statement have been resolved;
 - A conclusion demonstrating a commitment to monitoring implementation through the next annual review.

3.2 'Significant Governance Issues' are those that:

- 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.

4.0 Recommendation

- 4.1 The Audit and Accounts Committee is requested to consider whether the draft AGS at Appendix A is consistent with the Committee's own perspective on internal control within the organisation and the definition of significant governance and control issues noted in paragraph 3.2 above.

Source Documents

Director Assurance Statement Returns
Cambridgeshire County Council Code of Corporate Governance

Location: New Shire Hall

ANNUAL GOVERNANCE STATEMENT

Contents of the Annual Governance Statement 2021/22

1. Background and Scope

- 1.1 Scope of Responsibility
- 1.2 The Purpose of the Governance Framework
- 1.3 Key Elements of the Council's Governance Framework

2. Review of Effectiveness

- 2.1 Approach and Scope for the Review of Effectiveness
- 2.2 Review of Effectiveness
 - i. Council Planning
 - ii. Performance Management
 - iii. Executive Decision-Making and Scrutiny
 - iv. The Audit & Accounts Committee
 - v. Statutory Officers
 - vi. Management
 - vii. Internal Audit
 - viii. Review of Internal Audit
 - ix. External Audit
 - x. Risk Management

3. Conclusions and Approval

- 3.1 Key Governance Developments in 2020/21
- 3.2 Significant Governance Issues
- 3.3 Future Governance Considerations
- 3.4 Conclusions
- 3.5 Leader of the Council and Chief Executive Statement

ANNUAL GOVERNANCE STATEMENT

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 2022 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

ANNUAL GOVERNANCE STATEMENT

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. These set out and communicate the Council's vision of its purpose and intended outcomes for citizens and service users;
- An established 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;

ANNUAL GOVERNANCE STATEMENT

- 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 reports.
- 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 2021/22 and is informed by the comments of external auditors and

ANNUAL GOVERNANCE STATEMENT

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. The Council's Committee structure and Constitution underwent some significant changes following the local elections in May 2021. This report reflects the structures in place during the 2021/22 financial year and highlights any subsequent changes.

Additionally, it should be noted that the Council's operations in 2021/22 and onwards have continued to be impacted by the ongoing Covid-19 pandemic. The effects of this are highlighted where relevant throughout the report and in summary at Section 3, below.

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 Corporate Strategy and Budget. 2021/22 represented the first year of the new political term and there is a commitment to further develop the Council's corporate strategy during the coming months.

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 priority outcomes and strategy obligations 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 Corporate Strategy and Budget was approved by Full Council in February 2022. The budget adopted has reset the medium-term financial strategy to reflect the spending position as a result of the pandemic.

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 27th January 2022 and by Full Council on 8th February 2022 as part of the business planning process.

As a result of this update, Strategy and Resources Committee will have central oversight of the framework and will monitor a strategic set of 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. The report taken to Strategy and Resources Committee and Full Council

ANNUAL GOVERNANCE STATEMENT

included draft strategic KPIs; both the Policy and Service Committee KPIs and the strategic KPIs will be developed and formally approved following approval of the new Framework.

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 was paused during the 2021/22 year, with Policy & Service Committees receiving an update on progress with the new framework and a prompt to consider the development of their own KPIs in late 2021. The Business Intelligence service has been supporting directorate management teams to carry out workshops to develop KPIs with Policy and Service Committees during Q1 2022-23.

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. In 2021/22, IFMRs have included a section specifically highlighting the financial impact associated with managing the implications of the coronavirus pandemic, including loss of income.

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.

At the start of the financial year, the process allowed for executive decisions to be reviewed following request by at least 9 full members of the General Purposes Committee, which must be made within 3 days of a decision being published. Following changes to the Council's Constitution agreed at the meeting of Full Council on 18th May 2021, the process now allows for executive decisions to be reviewed following request by at least 9 full members of the Strategy and Resources Committee, within the same timescales.

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 2021/22, 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 2021-22 and up to the date of this report.

ANNUAL GOVERNANCE STATEMENT

Cambridgeshire County Council's Chief Executive undertakes the statutory role of the Head of Paid Service. At the start of 2021–22, the Council had a shared Chief Executive with Peterborough City Council. Following the announcement of the existing Chief Executive's intention to retire from the joint role, Cambridgeshire's Staffing and Appeals Committee resolved to seek a separate Chief Executive for Cambridgeshire County Council in August 2021. The new Chief Executive was appointed by Full Council on 9th November 2021 and took up post on 21 February 2022.

After the former Chief Executive retired in December 2021, the Council's Director of Business Improvement and Development temporarily acted up to the role of Chief Executive until the new Chief Executive took up the post on 21st February 2022, covering the duties of the Head of Paid Service on an interim basis.

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 his annual report to the Audit Committee on 31st May 2022. The report outlined the key findings of the audit work undertaken during 2021/22, including areas of significant weakness in the internal control environment.

ANNUAL GOVERNANCE STATEMENT

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 2021/22, 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 2021/22 financial year, a satisfactory assurance opinion has been reached.

My opinion is derived from an assessment of the range of individual opinions arising from work completed in 2021/22 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 Internal Audit Annual Report, below; however, I would particularly highlight the following key pieces of evidence on which my opinion is based:

- *Review of the organisation's Code of Corporate Governance and the evidence supporting the Council's Annual Governance Statement, which demonstrate a sound core of organisational governance;*
- *The reviews of Key Financial Systems for which Cambridgeshire County Council is the Lead Authority consistently demonstrating a good or moderate assurance across all systems;*
- *The continuing, positive, organisational response to the Covid-19 pandemic, which demonstrated the strength of the Council's business continuity and risk management processes and the ability of senior management to respond effectively to unexpected challenges;*
- *Contract management remains a key area of focus for Cambridgeshire County Council and this has been reflected in the Internal Audit plan and work completed throughout the year. A number of initiatives to improve contract management in key areas are due for implementation during the 22/23 financial year.*

ANNUAL GOVERNANCE STATEMENT

The opinion of satisfactory has reduced from last year's 'strong satisfactory' because of a current known issue with payroll control accounts. This is covered in more detail in sections 4.2.3 – 5 of the Internal Audit Annual Report.

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.

- Neil Hunter, Head of Internal Audit and 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 31st May 2022.

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, with a self-assessment exercise in April 2021 confirming compliance with the latest set of standards, issued in April 2017.

Internal Audit teams are required to undergo external reviews of compliance with PSIAS every five years. As the most recent external review of the Cambridgeshire team took place in the 2017/18 financial year, at the time of writing an external review against PSIAS requirements is currently underway and is being undertaken by Peterborough City Council's Head of Internal Audit.

ix. External Audit

On 14 December 2017, the PSAA board approved the appointment of Ernst & Young LLP 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.

In November 2021, the Audit & Accounts Committee received a report on the Value for Money opinion from the previous external auditor relating to the financial year 2017/18. The auditor issued a modified opinion on an "except for" basis. In responding to their report, the Council accepted findings relating to procurement breaches in 2015 and 2016 and reported to the Committee on progress made since the findings were first identified, as well as highlighting this to Full Council.

x. Risk Management

The Council maintains an approved Risk Management Policy and Risk Management Procedures, which were completely revised and updated in 2021/22. In February 2022, a comprehensive review of the Corporate Risk Register was undertaken by CLT, and the refreshed Corporate Risk Register was presented to Strategy and Resources Committee on 29th March 2022.

During 2021/22, Cambridgeshire's Corporate Leadership Team and Directorate Management Teams formally considered risk on a regular basis.

ANNUAL GOVERNANCE STATEMENT

The Internal Audit Plan for 2022/23 presented to the Audit and Accounts Committee in March 2022 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 2022/23.

3. CONCLUSIONS AND APPROVAL

3.1 KEY GOVERNANCE DEVELOPMENTS IN 2021/22

Where key governance processes or developments in the 2021/22 financial year have not been covered in any of the preceding sections of the Annual Governance Statement, they are highlighted below for completeness.

i. Local Government Association Corporate Peer Challenge:

In July 2021, Cambridgeshire County Council undertook a Local Government Association (LGA) Corporate Peer Challenge. The LGA Peer Challenge report presented 11 key recommendations and 5 further shared services recommendations to help the Council improve and develop, and these were adopted into an Action Plan that was presented to Strategy and Resources Committee in September 2021.

The Peer Challenge Team revisited the Council in March 2022 to carry out the LGA's 'Check-in' process, which is a follow up visit to review progress against the agreed action plan and impact of the Peer Challenge visit and report. A letter reporting on the outcomes of the visit was shared with Strategy and Resources Committee.

ii. Ofsted Focused Visit:

Ofsted launched the Inspection of Local Authority Children's Services (ILACS) framework in 2017, setting out a framework of inspections/focused visits which assess the effectiveness of local authority services and arrangements to help and protect children, the experiences and progress of children in care wherever they live, including those children who return home, the arrangements for permanence for children who are looked after, including adoption, and the experiences and progress of care leavers. Under the inspection framework, a local authority will receive either a judgement inspection or a focused visit once a year, based on a three-year cycle.

Cambridgeshire County Council last received a judgement inspection in January 2019, followed by a focused visit in March 2020 and another in April 2022. The report from the April focused visit is available on the Ofsted website with full details of their findings. A report on the content of the most recent ILACS focused visit was shared with Members in April, and briefings provided to the Chair and Vice Chair of the Children and Young People's Committee. As this was a focused visit rather than an inspection, there is no requirement for publication of a full action plan; however, the service is planning to develop a new workforce strategy in response to the findings, and an update on this along with a general progress update will be presented to Children and Young People Committee in due course.

ANNUAL GOVERNANCE STATEMENT

iii. Adult Social Care Peer Challenge:

Each year, Adult Social Care Directors submit a self-assessment to the regional Association for Directors of Adult Social Services (ADASS) as part of the sector-led improvement cycle. The self-assessment requires the Council to identify strengths and risks against 25 themes providing a commentary for each.

This process was delayed due to the coronavirus pandemic, and Cambridgeshire County Council submitted a self-assessment on 31st March 2021 which covered the previous 18 months. Subsequent to this, the Council met with a former Director, Andrew Cozens, for an external challenge session in August 2021 and took part in a regional challenge event in September 2021. The outcomes of the self-assessment process were reported to the Adults and Health Committee in December 2021, along with the 'Local Account' 2019 – 21, the Council's annual public statement about its adult social care services.

This report to Committee highlighted key achievements of the service and its response to the Covid-19 pandemic, along with key challenges and areas for improvement, and a summary of the service's action plan in response to the self-assessment.

iv. This Land

In January 2022, the Strategy and Resources Committee received a detailed report from an external reviewer of This Land, Cambridgeshire County Council's wholly owned property development company. Their report has enhanced the wider understanding of the company, and therefore the Council's risk exposure, and is leading to improved controls. Recommendations made by the external reviewer and accepted by the company were reported to the January meeting of Strategy & Resources Committee. Updates on progress with implementing these actions were brought to the March 2022 Strategy and Resources Committee and will continue to be brought to the Committee in the new financial year.

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;

ANNUAL GOVERNANCE STATEMENT

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

The Covid-19 pandemic has represented a very significant challenge for the authority in 2021/22 and to date, impacting on the authority's financial position and its ability to deliver planned objectives, as well as creating additional new responsibilities for the Council.

Moving forward, the newly formed UK Health Security Agency (UKHSA) is expected to take the lead on all Health Protection functions, including those related to Covid-19. It is important to note that due to the ongoing national discussions regarding future of health protection, new Integrated Care System (ICS) structures, staffing reductions in UKHSA and low vaccination uptake in parts of the population, there remain significant ongoing local risks associated with the pandemic.

The Contain Outbreak Management Fund (COMF) was provided to local authorities to provide financial support for local test, trace and contain activity during the pandemic, and Cambridgeshire County Council has retained some of this funding for 2022/23, which we can use to mitigate these risks. However, recruitment and retention of staff is likely to be difficult for these posts, which are of approximately 6-9 months duration. There are ongoing governance risks regarding the COMF budget which the organisation will need to manage, ensuring that COMF spend is in line with the conditions of the grant.

It is noted that the UK Government's Covid-19 Public Inquiry will be taking place in 2022/23, examining the UK's preparedness and response to the Covid-19 pandemic, and to learn lessons for the future. The Council is likely to be asked to give evidence to the enquiry.

On the 25th February 2022, the outcome of a Code of Conduct investigation report into the conduct of a former senior councillor in relation to issues concerning Manor Farm in Girton was reported to the Constitution and Ethics Committee. The governance issues involved attracted significant public attention and publicity. The Constitution and Ethics Committee resolved to refer the investigation findings to the Strategy and Resources Committee with a request that it establishes a programme of action to resolve any underlying or corporate issues arising from the report's findings in order to prevent a recurrence.

Following the recommendations of the LGA Corporate Peer Challenge, the Chief Executive has agreed with all Group Leaders to commission the Centre for Governance and Scrutiny to review the effectiveness of the current committee system and scrutiny arrangements. As set out in the Peer Review Action Plan, the Council has committed to take action to recalibrate member roles, behaviours and conduct and Member training, development and ongoing support has been arranged with support from the LGA. Progress with this action continues to be updated and monitored at meetings of Strategy and Resources Committee.

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

ANNUAL GOVERNANCE STATEMENT

the major financial pressures facing the Council can be met, whilst continuing to provide effective services to the people of Cambridgeshire.

It is also noted that the invasion of Ukraine by Russia, along with Government sanctions on Russian goods and services, and ongoing counter pandemic measures elsewhere in the world, is creating further unprecedented impacts on both the supply and cost of key construction materials, and inflationary pressures on labour and fuel. 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. This is an emerging governance consideration for the Council as a whole, and particularly for services managing capital projects.

The Council is also mindful that further developments in the ongoing coronavirus pandemic may result in future significant governance impacts on the authority.

In May 2019, Cambridgeshire County Council declared a Climate and Environment Emergency, and in 2022 launched its new Climate and Environment Strategy. Investment in 'Net Zero' initiatives to reduce carbon emissions by the Council and Cambridgeshire communities takes the Council into newer and more novel areas of activity. Learning from this, the Council needs to ensure there are appropriate procedures and sufficient internal expertise to effectively manage contractual arrangements.

The Council's accumulated deficit for Dedicated Schools Grant (DSG) High Needs Block will grow to £40m by 1st April 2022. Currently, Cambridgeshire benefits from the statutory override for DSG High Needs Block deficits, recording these as a negative reserve. These regulations are currently due to expire in 2023. At the budget meeting in February 2022 the Council created an earmarked reserve to offset the growth in the deficit during the 2021-22 financial year, however there is risk that further sums will need to be found by the Council to address the substantial accumulated deficit. The Council has been invited to participate in the 'safety valve' programme by the Department for Education, which aims to aid authorities with high percentage DSG deficits to reform their management of high needs systems. This will continue to be a significant area of focus for the authority.

Following the Council's withdrawal from the former LGSS partnership arrangements, Service Level Agreements and service plans are in the process of being developed and agreed for services moving to the Lead Authority model, with Finance Operations plans being agreed by the Lead Authority Board in April 2022. An issue with payroll control account reconciliations has been identified, and as Payroll is delivered under the Lead Authority model, the Council is working with partner authorities to develop an action plan to establish the extent of the issue and agree actions to rectify this.

More generally, following the LGA Peer Review, Cambridgeshire County Council has worked to review all its shared services arrangements, and the new Chief Executives in Cambridgeshire and Peterborough City Council have been discussing shared service models and priorities with their respective Administrations and corporate leadership teams. As a consequence of this review, the future shared services arrangements between the two authorities will be redefined and organisational structural changes to Cambridgeshire's senior leadership arrangements will be consulted upon and implemented during the 2022/23 financial year.

ANNUAL GOVERNANCE STATEMENT

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. Implementation of these actions will be monitored through the next annual review.

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

July 2022