



## Cambridge City Council Civic Affairs

**Date:** Wednesday, 10 July 2024

**Time:** 5.30 pm

**Venue:** Council Chamber, The Guildhall, Market Square, Cambridge, CB2 3QJ [access the building via Peashill entrance]

**Contact:** [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk), tel:01223 457000

### Agenda

- 1 Apologies
- 2 Declarations of Interest
- 3 Minutes (Pages 3 - 12)
- 4 Public Questions
- 5 External Audit Plan 2023/24 (Pages 13 - 78)
- 6 Interim Value for Money Arrangements Report (Pages 79 - 102)  
2022/23
- 7 Update to Alternative Options to Area Committees (Pages 103 - 156)

**Civic Affairs Members:** McPherson (Chair), Gawthrope Wood (Vice-Chair), Bennett, Robertson, Sheil and Young

**Alternates:** Bick, Clough and Holloway

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- Website: <http://democracy.cambridge.gov.uk>
- Email: [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk)
- Phone: 01223 457000

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Those wishing to address the meeting will be able to do so virtually via Microsoft Teams, or by attending to speak in person. You must contact Democratic Services [democratic.services@cambridge.gov.uk](mailto:democratic.services@cambridge.gov.uk) by 12 noon two working days before the meeting.

**The full text of any public question must be submitted in writing by noon two working days before the date of the meeting or it will not be accepted. All questions submitted by the deadline will be published on the meeting webpage before the meeting is held.**

Further information on public speaking will be supplied once registration and the written question / statement has been received.

**CIVIC AFFAIRS**13 May 2024  
5.30 - 5.58 pm

**Present:** Councillors McPherson (Chair), Davey (Vice-Chair), Bennett, Robertson, Sheil and Young

**FOR THE INFORMATION OF THE COUNCIL****2024/11/CivApologies**

Apologies were received from Rob Bennett the Independent Person.

**2024/12/CivDeclarations of Interest**

There were no declarations of interest.

**2024/13/CivMinutes**

The minutes of the meeting held on 7 February were agreed as a true and accurate record.

At this point in the meeting the Chair, with the agreement of the Committee, re-ordered the agenda to take the Committee Appointments and Constitutional Changes for Annual Council first, followed by the Honorary Freedom of the City and finally the Governance Review Proposals. For the purposes of the minutes the items have been kept as per the order of the published agenda.

**2024/14/CivPublic Questions**

There were no public questions received.

**2024/15/CivGovernance Review Proposals**

The Democratic Services Manager introduced the report and outlined the key aspects to members.

The Centre for Governance and Scrutiny compiled a report in February 2022 which found that the Council's current arrangements lead to a lack of collective democratic accountability, was resource heavy, opaque, did not result in

improved outcomes for the Council and was not as inclusive as it could be for residents to engage with.

The Governance Reference Group (GRG) was established to consider the Centre for Governance and Scrutiny and Independent Remuneration Panel (IRP) findings and develop proposals for the Civic Affairs Committee that could be put to full Council.

The GRG in December 2023 came up with four principles for good governance and highlighted the below:

- Decision making is timely / prompt, focussed and efficient
- Decision making is accountable
- Our governance system and decision-making processes are transparent
- Encourages collaboration

The CfGS review went to great lengths to emphasise the importance of behaviours and culture.

The City Council's written constitution already incorporated the Leader and Executive/Cabinet form of governance. The constitution provided for collective Executive decision making at public meetings (e.g. Cabinet), and an Overview and Scrutiny Committee. However, in practice the Council operates what has been termed a 'hybrid-hybrid' system because it blended elements of the two distinct forms of governance available to local authorities - the Committee and Leader-Cabinet systems.

The GRG also commissioned officers to provide some hypothetical options for the Leader and Executive/Cabinet model based on current best practice; and that these options should consider members' desire for new arrangement to provide for strong scrutiny and enable non-executive members to have a role in the decision-making process.

Members of the Committee commented on the report which included:

- There was no overall consensus on the best model within the GRG, however the majority of the GRG were supportive of the Leader and Cabinet model.
- The Liberal Democrat Group as a whole was not supportive of the Leader and Cabinet model for a few grounds namely that there could potentially be less involvement in decision-making for non-executive councillors.

- The recommendations in the report were about working towards implementing a revised Leader and Cabinet model, which would give the opposition opportunities to contribute and have more democratic debates on key items that affect the City.
- It had been two years since the CfGS report had been completed and it was time that the Council moved forward towards a new system, stepping away from being unique in comparison with other local authorities. The work of the Chair of the GRG was noted for being collaborative.
- It was important that non-executive councillors from across all parties were given the opportunity to scrutinise the decisions of the Executive.
- There were potentially opportunities for non-executive councillors and for opposition to be involved in policy formation, before political groups ask members to project certain ideas before a later stage. More councillors could be involved within the creative stage of decision-making.

**Resolved** (4 votes for, 2 votes against, 0 abstentions) to recommend to Council:

- a. That the Council design and implement a revised 'Leader and Cabinet' model of decision making and authorises the Chief Executive to enable changes to be implemented from the Annual Council Meeting in May 2025
- b. To establish a member-officer design group with external technical support to develop a revised 'Leader and Cabinet' model with final proposals including an updated constitution being presented to the Civic Affairs Committee and then to full Council for adoption.

## **2024/16/CivHonorary Freedom of the City**

The Democratic Services Manager introduced the report and explained that the recommendation to grant the Honorary Freedom of the City was reserved for the extraordinary Annual Council Meeting.

Members welcomed the recommendation and asked that strong communications were put out explaining the close links HMS Protector has with Cambridge.

HMS Protector carried out a lot of work for the British Antarctic Survey (BAS), which was based in Cambridge as well as working closely with the Scott Polar

Institute. This was also the only ice breaker the British Navy had. In addition, this recommendation also addressed the serious nature that the City takes towards climate change.

It was also noted that the previous captain was the first female appointed to captain a vessel of this sort in history.

**Resolved** (Unanimous) to recommend to Council:

- a. To confer the Honorary Freedom of the City of Cambridge upon HMS Protector. (Nb. Granting the Freedom of the City will require at least two thirds of the Councillors present to agree to the recommendation).

### **2024/17/CivCommittee Appointments and Constitutional Changes for Annual Council**

The Committee received a report on the appointments to committee's and Chair's/Vice Chair's.

It was noted that on the Cambridge Joint Area Committee that this Municipal Year the Green party would take a seat and the Lib Dems would have a seat but that for the following Municipal Year the Lib Dems would take this seat back so they would have two seats.

**Resolved:** (unanimously) to recommend to Council:

- i. Appointments to city council committees and joint partner bodies below:

**Environment and Communities Scrutiny Committee 8** (5 Labour + 2 Lib Dem + 1 Green)

Pounds, Nestor, Swift, Divkovic, TBC

Payne, Hauk

Glasberg

Alternates – Griffin, Sheil, Martinelli, Flaubert, Tong

**Planning and Transport Scrutiny Committee 8** (5 Labour + 2 Lib Dem + 1 Green)

Nestor, Baigent, Swift, Griffin, Divkovic

Porrer, Bick

Clough

Alternates – Pounds, Todd-Jones, Lee, Lokhmotova, Bennett

**Housing Scrutiny Committee 9** (6 Labour + 2 Lib Dem + 1 Green)

Griffin, Robertson, Gawthrope Wood, Baigent, Swift, Thittala

Martinelli, Lee

Tong

Alternates: Nestor, Pounds, Young, Porrer, Bennett

**Strategy and Resources Scrutiny Committee 8** (5 Labour + 2 Lib Dem + 1 Green)

Robertson, Gawthrope Wood, Sheil, Baigent, Todd-Jones

Bick, Young

Bennett

Alternates – Lab TBC, Lab TBC, Porrer, Martinelli, Clough

**Civic Affairs Committee 6** (4 Labour + 1 Lib Dem +1 Green)

McPherson, Gawthrope Wood, Sheil, Robertson

Young

Bennett

Alternate – Holloway, Bick, Clough

**Employment (Senior Officer) Committee 6** (4 Labour + 1 Lib Dem + 1 Green)

Davey, Carling, Gilderdale, Moore

Bick

Bennett

Alternates: Labour TBC, Porrer, Clough

**Licensing Committee** 10 (6 Labour + 3 Lib Dem + 1 Green)

McPherson, Bird, Moore, Griffin, Pounds, Wade

Blackburn-Horgan, Young, Lib Dem TBC

Clough

Alternates – Davey, Lib Dem TBC, Bennett

**Planning Committee** 9 (6 Labour + 2 Lib Dem + 1 Green)

Smart, Baigent, Thornburrow, Gilderdale, Carling, Dryden

Porrer, Lokhmotova

Bennett

Alternates – Nestor, Todd-Jones, Flaubert, Young, Howard

**Cambridgeshire and Peterborough Combined Authority** - 1 seat

A.Smith

Alternate - Davey

**Cambridgeshire and Peterborough Combined Authority Overview and Scrutiny Committee** 2 Labour

Lab TBC, Lab TBC

Alternate – Lab TBC



**Cambridgeshire and Peterborough Audit and Governance Committee 1**

Labour + one alternate

S.Smith

Alternate – Lab TBC

**Greater Cambridge Partnership Joint Assembly 3 (2 Labour + 1 Lib Dem)**

S.Smith, Thornburrow, Bick

**Joint Development Control Committee - Cambridge Fringes 6 (4 Labour+ 2 Lib Dem)**

S.Smith, Baigent, Smart, Thornburrow

Porrer, Flaubert,

Alternates – Gilderdale, Nestor, Young, Lokhmotova

**Cambridge Joint Area Committee 6 (4 Labour + 1 Lib Dem + 1 Green)**

Thornburrow, Robertson, Baigent, Moore

Young

Bennett

Alternates – Carling, Lab TBC, Martinelli, Tong

ii. Nominations for Chairs and Vice-Chairs 2024/25

**Environment and Communities Services**

Chair - Pounds

Vice-Chair – Nestor

**Planning and Transport**

Chair – Nestor

Vice-Chair – Baigent

**Housing**

Chair – Griffin

Vice-Chair (nb. Tenant/Leaseholder is Chair of Part 1 of the meeting) -  
Robertson

**Strategy and Resources**

Chair – Robertson

Vice-Chair – Gawthrope Wood

**Civic Affairs**

Chair - McPherson

Vice-Chair – Gawthrope Wood

**Licensing**

Chair - McPherson

Vice-Chair - Bird

**Planning**

Chair - Smart

Vice-Chair (Labour) – Baigent

Vice-Chair (Lib Dem) - Porrer

**JDCC**

Chair – S.Smith

The meeting ended at 5.58 pm

**CHAIR**

**CIVIC AFFAIRS**

23 May 2024  
5.25 - 5.30 pm

**Present:** Councillors McPherson, Gawthrop Wood, Bennett, Robertson and Young

**FOR THE INFORMATION OF THE COUNCIL**

**24/18/Civ Appointment of Sub Committee**

The Committee agreed the membership of the following:

Employment Appeals Sub Committee  
4 Labour, 2 Liberal Democrat

Councillors Davey, Carling, Moore, Wade, Flaubert, Young

**24/19/Civ Appointment of Working Party**

The Committee agreed the membership of the following:

Governance Design Group  
3 Labour, 1 Liberal Democrat, 1 Green

Councillors – Carling, S.Smith, Robertson, Bick, Bennett

Alternate Councillors – Griffin, Young, Clough

The meeting ended at 5.30 pm

**CHAIR**

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Item

## EXTERNAL AUDIT PLAN 2023/24

**To:**

Civic Affairs Committee 10/07/2024

**Report by:**

Jody Etherington, Chief Finance Officer

Tel: 01223 - 458130 Email: [jody.etherington@cambridge.gov.uk](mailto:jody.etherington@cambridge.gov.uk)

**Wards affected:**

All

### 1. Introduction

- 1.1 The attached Audit Plan 2023/24 from EY (Appendix 1) summarises the proposed approach to the 2023/24 external audit, including a consideration of the most significant audit risks.
- 1.2 EY staff will be available to discuss their report and answer any questions arising.

### 2. Recommendations

- 2.1 That the contents of the EY Audit Plan 2023/24 are noted.

### 3. Background

- 3.1 In line with the National Audit Office (NAO) Code of Audit Practice, EY are required to review and report on the Council's Statement of Accounts. They are also required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources, and report a commentary on those arrangements (also known as the 'value for money' or 'VFM' commentary).

- 3.2 The attached Audit Plan details the approach that EY will use in relation to the 2023/24 audit. It specifies the work they will undertake, when they anticipate completing this work and how they will report their findings. It also details EY's assessment of the key risks with regards to the Statement of Accounts.
- 3.3 There is currently a significant backlog of outstanding audits across the local government sector. Stakeholders including central government, the NAO and the Chartered Institute of Public Finance and Accountancy (CIPFA) have proposed a number of measures to seek to address this issue, subject to consultation. Further details are set out on page 6 of the attached Audit Plan.
- 3.4 As far as this Council is concerned, no audit has yet taken place of the 2022/23 Statement of Accounts. Under the current proposals, it is likely that these accounts will not be audited, and instead the auditors will provide a 'disclaimer' opinion. This position will be shared by a large number of local authorities across the country. There will still be a requirement, however, for auditors to issue commentary on the Council's arrangements to secure value for money, and EY have presented a separate report to the Committee on 10 July 2024 outlining their interim progress in this area.
- 3.5 EY are currently planning to carry out a full scope audit of the 2023/24 accounts, and the proposed timetable for this is set out in section 7 of their Audit Plan. This would see the audit completed by the end of November 2024. However, it should be noted that this is dependent upon the outcome of the various consultations on measures to address audit backlogs. For example, the widespread use of disclaimer opinions across the sector is likely to require legislation to be passed, and there is a significant risk that the July General Election and potential for a new government may cause delays in this process. Alternatively, should current plans be abandoned, it may become necessary to pause work on the 2023/24 accounts whilst the 2022/23 accounts are audited. Such matters will fall largely outside of the control of both the Council and EY, but the Committee will be kept informed through regular reporting throughout the process.

## **4. Statement of Accounts audit**

- 4.1 Section 2 of the attached Audit Plan sets out the key risks identified by EY in respect of the Statement of Accounts audit. Since no audit has yet taken place of the 2022/23 accounts, risks are presented relative to their 2021/22 levels.
- 4.2 There is one new significant risk in relation to accounting for net pension assets. This arises from the fact that the Council now has a net pension asset, rather than a net pension liability (i.e. the Council's share of assets in the pension fund is currently greater than the estimated liability to pay pension benefits in the future). This gives rise to additional technical accounting considerations which are considered by EY to increase the inherent risk of misstatement. Further details are set out on page 18 of the attached Audit Plan.
- 4.3 In addition, a new inherent risk has been identified in respect of the provision for HRA rent refunds, as set out on page 20 of the attached Audit Plan.
- 4.4 The level of risk associated with the valuation of land and buildings was increased in 2021/22 following the appointment of new external valuers. Now the valuers are in their third year of working with the Council, with no significant issues identified in the first two years, the risk has been reduced back to its baseline inherent risk level.
- 4.5 EY have set a planning materiality level of £3.39 million, which represents 2% of the previous year's gross expenditure on the provision of services. The 'audit differences' threshold above which all uncorrected misstatements will be reported by the auditors has been set at £0.17 million. Further details are set out on page 10 of the attached Audit Plan.

## **5. VFM commentary**

- 5.1 Under the NAO Code of Audit Practice, auditors are required to publish a commentary on the Council's VFM arrangements against three reporting criteria as follows:-
- Financial sustainability
  - Governance
  - Improving economy, efficiency and effectiveness

Further details can be found in section 3 of the attached report.

- 5.2 EY have yet to complete their detailed VFM planning, and they will update the Committee on the outcome of their VFM risk assessment and their planning response to any identified risks at a future meeting. EY have stated that the Council's arrangements in relation to financial sustainability will be one focus of this work.

## **6. Implications**

### **a) Financial Implications**

The proposed audit fee is set out at Appendix B to the attached report. It should be noted that the core audit fee (scale fee) is set independently by the appointing body, Public Sector Audit Appointments Ltd (PSAA). A new contracting period commenced in 2023/24, which has seen a significant increase in the scale fee from £61,962 to £174,191. This is in recognition of significant additional work which has been required in the local authority audit sector in recent years, which in some ways has contributed towards the current audit backlog situation.

The actual fee to be paid in respect of 2022/23 will be determined by PSAA, in light of the proposals to clear the audit backlog set out in section 3 above.

### **b) Staffing Implications**

None

### **c) Equality and Poverty Implications**

None

### **d) Environmental Implications**

None

### **e) Procurement Implications**

None



**f) Community Safety Implications**

None

**7. Consultation and communication considerations**

None

**8. Background papers**

No background papers were used in the preparation of this report.

**9. Appendices**

Appendix 1 – EY Audit Plan 2023/24

**10. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Jody Etherington, Chief Finance Officer, tel: 01223 - 458130, email: [jody.etherington@cambridge.gov.uk](mailto:jody.etherington@cambridge.gov.uk).

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# Cambridge City Council Audit Plan

Year ending 31 March 2024

26 March 2024

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Building a better  
working world



Civic Affairs Committee  
Cambridge City Council  
The Guildhall  
Peas Hill  
Cambridge  
CB2 3QJ

26 March 2024

Dear Civic Affairs Committee Members

### **External Audit Plan - 2023/24**

Attached is our Audit Plan for the forthcoming meeting of the Civic Affairs Committee. The purpose of this report is provide the Civic Affairs Committee of Cambridge City Council (the Council) with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for the Council. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Civic Affairs Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Civic Affairs Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements, and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

(continued)

We draw Civic Affairs Committee members and officers attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Civic Affairs Committee and Management of Cambridge City Council, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 13 May 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

A handwritten signature in blue ink that reads "MARK HODGSON". The signature is written in a cursive style and is contained within a light grey rectangular box.

Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

Enc

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Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Civic Affairs Committee and management of Cambridge City Council. Our work has been undertaken so that we might state to the Civic Affairs Committee and management of Cambridge City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Civic Affairs Committee and management of Cambridge City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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01

# Overview of our 2023/24 audit strategy

# Overview of our 2023/24 audit strategy

## Context for the 2023/24 audit - Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- ▶ DLUHC has launched a consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.
- ▶ The National Audit Office (NAO) has launched a consultation on amending the Code of Audit Practice to :
  - ▶ Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
  - ▶ Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA) is expected to launch consultation on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and our audit procedures necessary to gain assurance.

As a result of the system wide implementation of backstop dates, it is likely we will disclaim the opinion on the Council's 2022/23 accounts. The proposed disclaimer of the Council's 2022/23 accounts will impact both the audit procedures we need to undertake to gain assurance on the 2023/24 financial statements and the form of our audit report in 2023/24 and subsequent years during the recovery phase.

The changes proposed by the consultations therefore will have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Civic Affairs Committee as the audit progresses and our final assessment on the scope and nature of procedures we will undertake becomes clearer. We have highlighted those areas where we consider it most likely that the proposed measures will impact our audit approach and scope as part of this Audit Plan.





# Overview of our 2023/24 audit strategy

## Responsibilities of Council management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Civic Affairs Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- ▶ Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- ▶ Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so.

Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.

Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.

# Overview of our 2023/24 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Civic Affairs Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	Fraud Risk	No change in risk or focus	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Linking to our fraud risk identified above, we have determined that a way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements, given the extent of the Council's capital programme and Revenue Expenditure Funded from Capital Under Statute.</p>
Investment Property Valuations	Significant risk	No change in risk or focus	The Council's investment property is a material balance (£162 million at 31 March 2023) disclosed on the Council's balance sheet. There is a significant level of judgement around assumptions within valuations, especially where these assumptions rely on market data or income based measures, given difficulties in estimating future income.
Accounting for Net Pension Assets	Significant risk	Increase in risk since 21/22	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme.</p> <p>Under IAS 19, there is a limit on the size of the net pension asset that can be recognised on the balance sheet. This is referred to as the asset ceiling. As the Council are now in a net asset position, there are additional accounting considerations compared to 2021/22, hence a higher level of risk of misstatement.</p> <p>Accounting for the scheme liabilities involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>

# Overview of our 2023/24 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Civic Affairs Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Bad debt provision and recoverability of receivables	Inherent risk	No change in risk or focus	The provision for bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation at year end and assess the appropriateness of the estimation technique. Therefore, we have raised an inherent risk for this in our audit strategy.
Group Accounting	Inherent risk	No change in risk or focus	The Council prepares consolidated Group statement of accounts. The Council will need to undertake its annual assessment of the group structure to determine the procedures required to consolidate the relevant component entities. We will consider the need to engage with the auditors of the significant components to understand and evaluate any risks they have recognised on the 2023/24 audits and what impact this has on our risk procedures in relation to the group accounts.
Provision for HRA Liabilities	Inherent risk	<b>New risk in 23/24</b>	In 2023, the Council identified a possible breach of regulations relating to rental charges on housing stock which could potentially lead to refunds being made to those who had previously been overcharged. The computations in determining the liability for excess charges will involve assumptions and judgments, as well as considerations of completeness, hence this has been classified as an inherent risk.
Valuation of Land and Buildings	Inherent risk	<b>Reduced level of risk compared to 2021/22</b>	Other Land and Buildings (OLB) constitutes a significant balance in the Council's accounts (£150 million at 31 March 2023). These assets are subject to valuation changes, impairment reviews and depreciation charges. Significant judgemental inputs and estimation techniques are required to calculate the year-end balances. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates. The Council engaged a new valuer in 2021/22 and as we did not have significant issues with these valuations, we have returned the level of risk to inherent, rather than significant.
Council dwellings valuation	Inherent risk	No change in risk or focus	Council dwellings represent a significant balance in the Council's accounts (£784 million at 31 March 2023) and are subject to valuation changes, impairment reviews and depreciation charges. As the value of council houses are significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk that balances may be under/overstated or the associated accounting entries incorrectly posted.

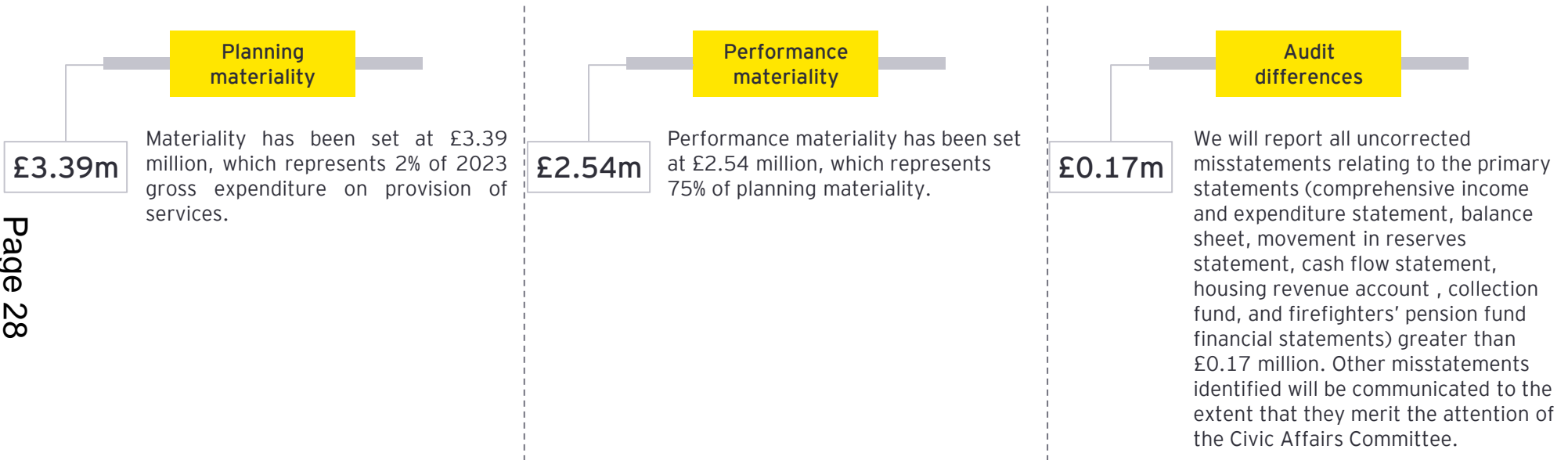
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The outcome of consultation on the planned measures to address local audit delays and related proposed temporary changes to CIPFA's Code of Practice on Local Authority Accounting are likely to impact our assessment of audit risks and our response to them. We will continue to keep the Civic Affairs Committee updated on our assessment of any changes to audit risk as this becomes clearer.

# Overview of our 2023/24 audit strategy

## Group and Council Materiality

Materiality has been set for both the audit of the Council and Group as shown below:



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We also identify areas where misstatement at a level lower than our overall materiality might influence users and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including Member allowances: we will agree all disclosures to source data, and member allowances to the agreed and approved amounts; and
- ▶ Related party transactions: we will test the completeness of related party disclosures and the accuracy of all disclosures by checking to supporting evidence.

The outcome of consultation on the planned measures to address local audit delays and the likely issue of a disclaimer on the Council's 2022/23 financial statements and any guidance subsequently issued may continue to impact on our assessment of materiality for the 2023/24 audit. We will keep the Civic Affairs Committee updated on any changes to materiality levels as the audit progresses.



# Overview of our 2023/24 audit strategy

## Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 3.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.


When planning the audit we take into account several key inputs:

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- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this Audit Plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore to the extent any of these or any other risks are relevant in the context of the Council's audit, we set those within this Audit Plan and we will continue to discuss these with management as to the impact on the scale fee.



# Overview of our 2023/24 audit strategy

## Audit scope (Cont.)

### *Effects of climate-related matters on financial statements*

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to the Council. It is, nevertheless, important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

### *Audit scope and approach*

We intend to take a substantive audit approach.

The Government proposals to re-establish the local authority framework on a more sustainable basis and the outcome of the related consultations are likely to have an impact on the scope of the audit. In particular, where we may not have assurance over 2022/23 financial year, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase. We draw your attention to the audit scope section 5 of this audit plan where we set out our current understanding of some of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates on the impact of these changes to the Civic Affairs Committee where necessary to do so.

# Overview of our 2023/24 audit strategy

## Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Planning on Value for Money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The commentary on the Council's value for money arrangements will be included in the Auditor's Annual Report.

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## Timeline

A timetable has been agreed with Management to complete the audit fieldwork in June and July 2024. In Section 07 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is adhered to.

## Key Audit Partner and senior audit team



### Partner - Mark Hodgson

Mark will be continuing his role as the Engagement Partner for 2023/24.



### Senior Manager - Jacob McHugh

Jacob will be continuing his role as the Engagement Manager for 2023/24.



## 02 Audit risks



# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Misstatements due to fraud or error\*

### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

### What will we do?

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud
- ▶ Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions)
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud
- ▶ Determining an appropriate strategy to address those identified risks of fraud
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements
- ▶ Undertake procedures to identify significant unusual transactions
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required (See next page).

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

**Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)\***

## What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

## What will we do?

- ▶ Test Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

## Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) / Investment Property (IP) additions and/or REFCUS in the financial statements.

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Investment Property Valuations

### What is the risk?

The Council's investment property portfolio is a material balance (£162 million at 31 March 2021) disclosed on the Council's balance sheet.

Individual asset markets may react differently to ongoing uncertainties and considerations must be given to ensure sufficient and appropriate market data is used for valuations in 23/24. There is a significant level of judgement around assumptions within valuations, especially where these assumptions rely on market data or income based measures, given difficulties in estimating future income.

### What will we do?

- ▶ Consider the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

### Financial statement impact

The value of Investment Property represents a significant balance in the Authority's accounts and is subject to valuation based on market information. Given potential impacts of market uncertainty, this may limit the valuer's scope in determining reasonable estimates within the valuation model of investment properties at 31 March 2024. This leads to a risk of material uncertainty in the valuations of Investment Property within the Council's financial statements.

# Our response to significant risks

We have set out the significant risks (including fraud risks denoted by\*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

## Accounting for Net Pension Assets

### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council / Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council. The Council's pension fund net asset is a material estimated balance and the Code requires that this amount be disclosed on the Council's balance sheet. At 31 March 2023 this totalled £6.9 million (Assets: £298.4million; Liabilities: £291.6 million). Under IAS 19, there is a limit on the size of the net pension asset that can be recognised on the balance sheet. This is referred to as the asset ceiling. As a result of the complexities involved in determining the asset ceiling, we have identified pension fund assets as a significant risk.

The information disclosed is based on the IAS 19 report issued to the Council / Authority by the actuary to the Council / Authority. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### What will we do?

- ▶ Review and challenge how the Council has computed the asset ceiling for net pension assets in order to determine its reasonableness and accuracy
- ▶ Liaise with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Cambridge City Council;
- ▶ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- ▶ We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required

### Financial statement impact

The value of net pension asset is material and required to be subject to asset ceiling test. The financial statements could be materially misstated if the Council fails to comply with the requirements of IAS 19 regarding pension assets ceiling.

# Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

## What is the risk/area of focus, and the key judgements and estimates?

### Bad debt provision and recoverability of receivables

The provision for bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation at year end and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy

## Our response: Key areas of challenge and professional judgement

We will:

- ▶ Review the calculation of the bad debt provision for reasonableness and accuracy; and
- ▶ Consider the recoverability of debts by testing a sample of trade receivables

## What else will we do?

We will consider any evidence through the course of the audit that debts may be less likely to be recovered. Where possible, we will test debtors to the underlying cash receipt to provide assurance of the recoverability of these balances.

### Group Accounting

The Council prepares group accounts and will therefore need to undertake its annual assessment of the group structure to determine the procedures it needs to undertake to consolidate the relevant component entities.

We will:

- ▶ Review the Council's assessment of its group structure;
- ▶ Consider the need to liaise with the component auditors to understand any risks that they are recognising;
- ▶ Evaluate any risks at component level on the group accounts;
- ▶ Issue instructions to the component auditors we intend to place reliance on; and
- ▶ Review the consolidation adjustments and group accounts.

We will consider any balances that we may need to perform our own audit procedures on, if insufficient assurance can be obtained through our review of the component auditor work.

# Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

## What is the risk/area of focus, and the key judgements and estimates?

### Provisions for HRA Liabilities

The Council identified a historic breach of regulations relating to rental charges on housing stock. This involves misinterpretations in how rent has been calculated and charged, which has led to the overcharge of rent to some tenants. Consequently, the council will need to refund overpayments of rent to current and previous tenants. The refund will involve computations which include assumptions and judgments, therefore we have raised this as an inherent risk. There are also completeness considerations attached given the length of time that the cases span over and the availability of Council records to identify all overpayment instances.

## Our response: Key areas of challenge and professional judgement

We will:

- ▶ Consider and review the computation performed by the Council;
- ▶ Assess the completeness of information available to the Council to make a reliable estimate; and
- ▶ Challenge the judgements and assumptions made by the Council in doing the computation.

## What else will we do?

We will review the legal advice obtained by the Council to determine the nature of the historic overpayments. We will understand and review the process for identifying claimants and how this constitutes the full population of overpayments across the full time period.

### Valuation of other land and buildings

Other Land and Buildings (OLB) represents a significant balance in the Council's accounts (£150 million at 31 March 2023) and is subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

We will:

- ▶ Sample test key asset information used by the valuer in performing their valuation;
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We will consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2023/24 to confirm that the remaining asset base is not materially misstated; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

We will also consider the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work, and determine whether we need to utilise our own valuation specialists.

# Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

## Council dwellings valuation

Council dwellings represent a significant balance in the Council's accounts (£784 million at 31 March 2023) and are subject to valuation changes, impairment reviews and depreciation charges. As the value of council dwellings are significant, and the outputs from the its valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the related accounting entries incorrectly posted.

Our response: Key areas of challenge and professional judgement

We will:

- ▶ Test a sample of beacon valuations to comparable sales to ensure that the approach is reasonable; and
- ▶ Consider specifically the use of indices to derive the 31 March valuation.

What else will we do?

We will also consider the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work, and determine whether we need to utilise our own valuation specialists.

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# 03 Value for Money risks



# Value for Money

## Council's responsibilities for Value for Money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

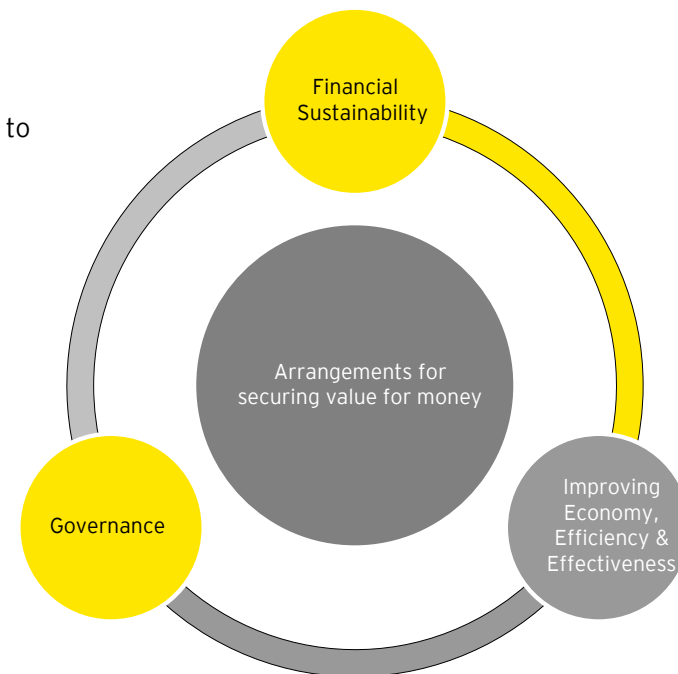
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

## Auditor Responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



## Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's governance statement;
- ▶ Evidence that the Council arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or

Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.



# Value for Money

## Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Civic Affairs Committee.

## Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

## Status of our 2023/24 VFM planning

We have yet to complete our detailed VFM planning assessment, as this forms part of our audit procedures throughout the audit. However, one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability.

We will update the Civic Affairs Committee at a future meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.



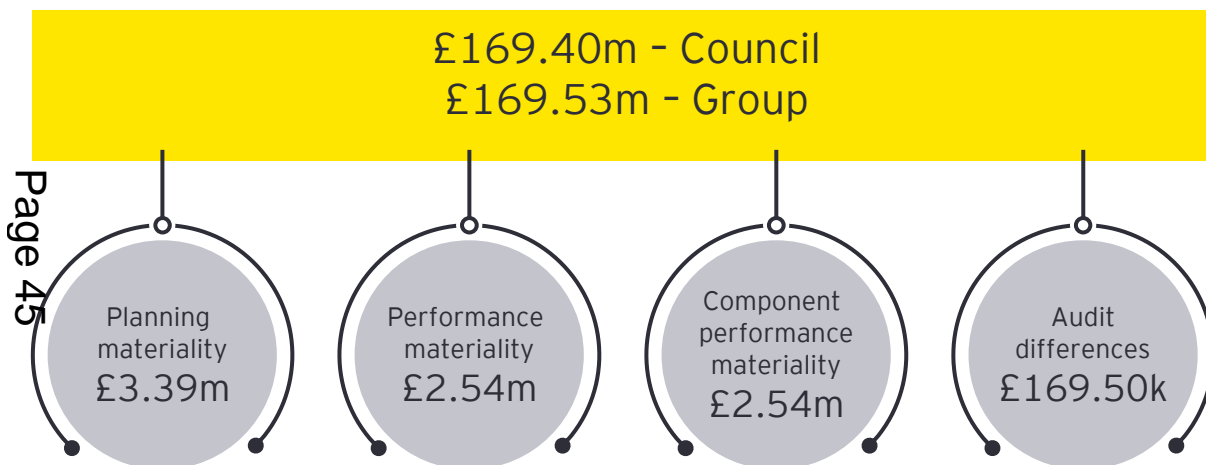
# 04 Audit materiality

# Materiality

## Materiality

For planning purposes, Group and Council materiality for 2023/34 has been set at £3.39 million. This represents 2% of the Group and Council's 2022/23 gross expenditure on provision of services. It will be reassessed throughout the audit process. We consider that gross expenditure on the provision of services is the area of utmost interest to the users of the Council's accounts. We have provided supplemental information about audit materiality in Appendix F.

Gross expenditure on provision of services



The outcome of consultation on the planned measures to address local audit delays may impact our assessment of materiality for the 2023/24 audit. We will keep the Civic Affairs Committee updated on any changes to materiality levels as the audit progresses.

We request that the Civic Affairs Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

## Key definitions

**Planning materiality** – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

**Specific materiality** – We will set materiality based on our professional judgment for related party transactions, officers remuneration (including exist packages) and members' allowances. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

**Performance materiality** – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £2.5 million which represents 75% of group materiality. This reflects the relatively lower level of misstatements detected in our 2021/22 financial statement audit.

**Component performance materiality range** – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

**Audit difference threshold** – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Civic Affairs committee, or are important from a qualitative perspective.



# 05 Scope of our audit

# Audit process and strategy

## Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

### 1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the Group and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

### 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

# Audit process and strategy

## Objective and Scope of our Audit scoping (cont'd)

### *Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays*

The changes proposed by the consultations are likely to have a significant impact on both the scope of the 2023/24 audit and our assessment of risk. We will continue to provide updates to the Civic Affairs Committee as the audit progresses and our assessment on the required scope and nature of procedures we will undertake becomes clearer. As examples:

- ▶ Where prior year audit opinions are modified work will be required to gain assurance, where possible, on opening balances over the period of the recovery phase (phase 2). Where we are unable to gain assurance over opening balances, we anticipate that this may lead to limitation of scope of our audit over those balances.
- ▶ Where prior year audit opinions are modified, and particularly where we do not have assurance spanning a number of historic financial years, this is likely to have an impact on our assessment of materiality and our ability to issue an unmodified opinion early in the recovery phase.

Changes to the Code of Audit Practice on Local Authority Accounting will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on Management's and auditor's specialists.



# Audit process and strategy

## Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.
- ▶ Reliance on the work of other auditors where appropriate;
- ▶ Reliance on the work of experts (where necessary) in relation to areas, such as Pensions and Property (Land and Buildings) valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

## Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Civic Affairs Committee.

## Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

# Scope of our audit

## Group scoping

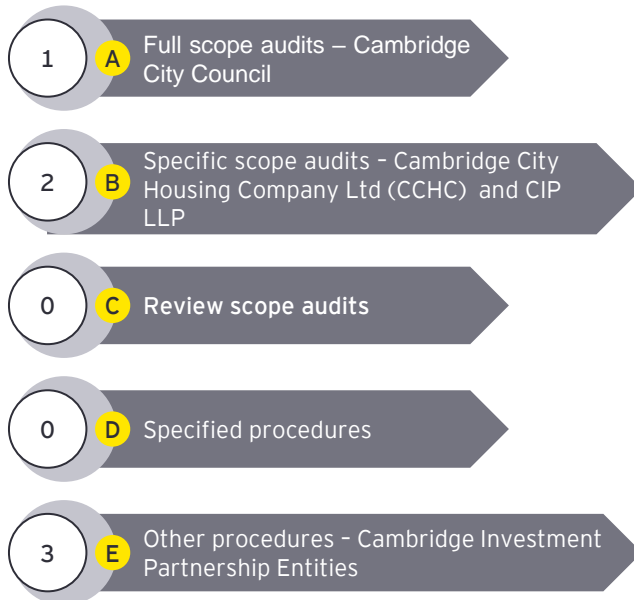
Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

- 1. Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

## Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below.



## Scope definitions

**Full scope:** locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

**Specific scope:** locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

**Review scope:** locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

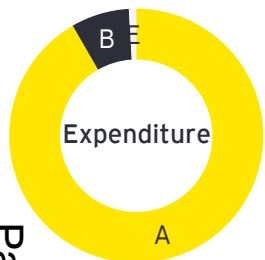
**Specified Procedures:** locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

**Other procedures:** For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

# Scoping the group audit

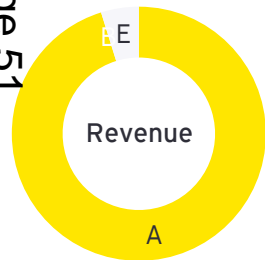
## Coverage of Revenue/Profit before tax/Total assets

Based on the group's prior year results, our scoping is expected to achieve the following coverage of Gross Expenditure, group's revenue and total assets.



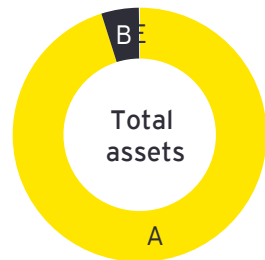
**98%**  
(2022: 98%)

of the group's forecast revenue will be covered by full and specific scope audits, with the remainder covered by other procedures.



**98%**  
(2022: 98%)

of the group's forecast revenue will be covered by full and specific scope audits, with the remainder covered by other procedures.



**100%**  
(2022: 100%)

of the group's forecast total assets will be covered by full and specific scope audits, with the remainder covered by other procedures.

Our audit approach is risk based and therefore the data above on coverage is provided for your information only, and would be subject to adjustments for intercompany transactions.

## Key changes in scope from last year

CIP LLP was assigned a specific scope in 2023/24. In 2022/23, CIP LLP holds a large WIP asset balance and is likely to continue to hold this balance in 2023/24, we therefore deem it significant based on risk. In 2021/22, CIP LLP did not hold a large WIP asset balance therefore we did not consider it significant.

## Details of specified and other procedures

Based on our discussions with management and the provided scope assessment by the Council, and knowledge from the 2021/22 audit we anticipate:

- ▶ Undertaking other procedures in relation to the Cambridge Investment Partnership (CIP) entities. The CIP entities are joint ventures in which the Council holds a 50% stake.
- ▶ For other entities excluding from the group accounts (Visit Cambridge and Beyond and Storey's Field Community Trust) we will ensure that the combination of entities is not material to the group.
- ▶ We will also issue group audit instructions (where appropriate).

We will update the Committee if there are any changes to our scoping coverage throughout the audit.

## Specified procedures

In order to respond to the risk identified in relation to the valuation of Land and Buildings we will perform our own procedures on the balances at Cambridge City Housing Company. We will consider whether the scoping decisions remain appropriate based on the 2022/23 accounts of the CIP entities and those entities that are excluded from the consolidation.

## Other procedures

- ▶ Perform analytical review procedures
- ▶ Test consolidation journals, intercompany eliminations and foreign currency translation recalculations

# Scoping the group audit

## Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

- ▶ We provide specific instruction to component team and our expectations regarding the detailed procedures;
- ▶ We set up initial meeting with component team to discuss the content of the group instructions;
- ▶ We will consider the need to perform a file review of component team's work where appropriate; and
- ▶ We will attend a closing meeting with component team to discuss their audit procedures and findings.

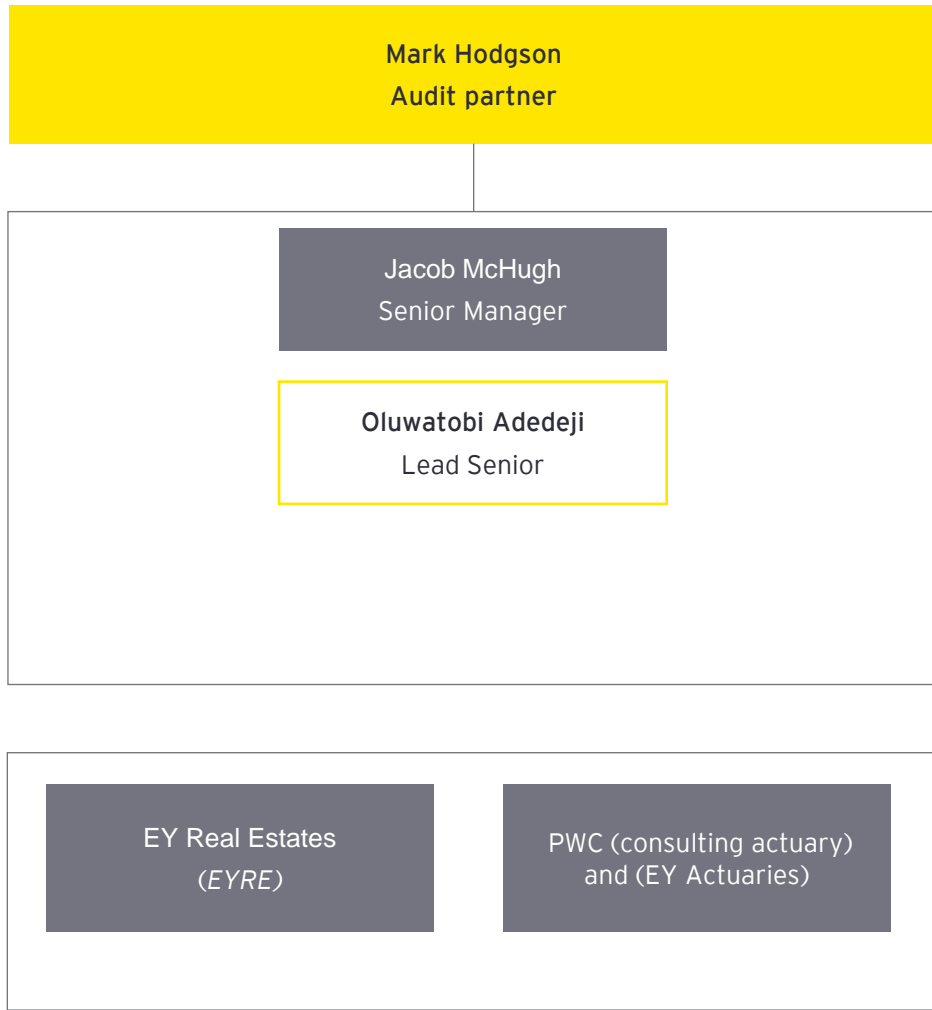
At present, we are not intending to solely rely on the work of the component auditor for any of the components of the group.



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# 06 Audit team

# Audit team



## Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2023/24 audit. We have undertaken a workshop with key officers involved in the audit process, which have reset the expectations we have of the Council to facilitate an effective audit.

We will continue to keep our audit approach under review to streamline it where possible and also ensure strong continuity in the audit team.

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# Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings & Investment Properties	Wilkes Head & Eve and Bruton Knowles (Council's valuers) EY Real Estates (if required)
Pensions disclosure	EY Actuaries Hymans Robertson- Actuary to Cambridgeshire Pension Fund
NDR Appeals Provision	Inform CPI (management specialist)
Financial Instruments	Link Assets Services (management specialist)

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In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- ▶ Assess the reasonableness of the assumptions and methods used
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements



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07

## Audit timeline

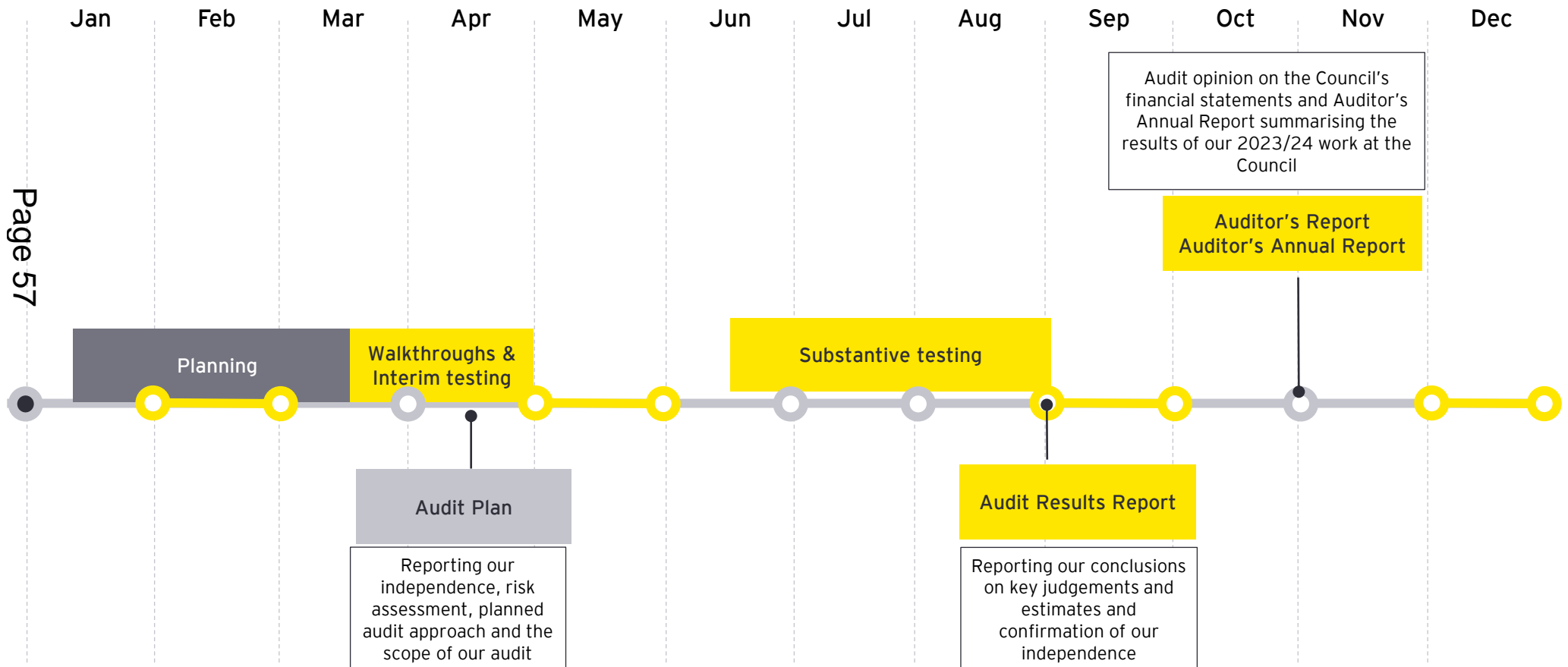


# Timetable of communication and deliverables

## Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24.

From time to time matters may arise that require immediate communication with the Civic Affairs Committee and we will discuss them with the Civic Affairs Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





# 08

# Independence

# Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence
- ▶ The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the Civic Affairs Committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).
- ▶ All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

# Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson your audit Engagement Partner and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we have an investment in the entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. We do not plan to perform any non-audit work. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

## Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

## Management threats


Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.



# Other communications

## EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



# 09 Appendices

# Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA’s Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

## **Preparation of the statement of accounts**

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.

assign responsibilities clearly to staff with the appropriate expertise and experience;

provide necessary resources to enable delivery of the plan;

maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;

- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

# Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Current Year	Scale fee	Prior Year
	£'s	£'s	£'s
Total Fee - Code Work	174,191	174,191	61,962
Scale fee variation	TBC	-	TBC
<b>Total audit</b>	<b>TBC</b>	<b>174,191</b>	<b>TBC</b>
<b>Total other non-audit services</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total fees</b>	<b>TBC</b>	<b>174,191</b>	<b>TBC</b>

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All fees exclude VAT

(1) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit.

(2) For 2023/24 the planned fee represents the base fee, i.e. not including any extended testing.

The revision to ISA (UK) 315 will impact on our scope and approach, and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- ▶ Consideration of correspondence from the public and formal objections.
- ▶ New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16.
- ▶ Non-compliance with law and regulation with an impact on the financial statements.
- ▶ VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- ▶ The need to exercise auditor statutory powers.
- ▶ Prior period adjustments.
- ▶ Modified financial statement opinions



# Appendix C – Accounting and regulatory update

## Future accounting developments

The following table provides a high level summary of the accounting development that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	<ul style="list-style-type: none"><li>▶ CIPFA have confirmed the re will be no further delay of the introduction of the leases standard IFRS 16.</li><li>▶ Assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.</li><li>▶ Lease liabilities and right of use assets will be subject to more frequent remeasurement.</li><li>▶ The standard must be adopted by 1 April 2024 at the latest.</li></ul>	<ul style="list-style-type: none"><li>▶ The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.</li><li>▶ The authority should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024.</li><li>▶ Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.</li></ul>

# Appendix C – Accounting and regulatory update

## Regulatory update

The following table provides a high level summary of the regularity update that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	<p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> <li>▶ Risk Assessment</li> <li>▶ Understanding the entity's internal control</li> <li>▶ Significant risk</li> <li>▶ Approach to addressing significant risk (in combination with ISA 330)</li> </ul> <p>The International Auditing &amp; Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:</p> <ul style="list-style-type: none"> <li>▶ Drive consistent and effective identification and assessment of risks of material misstatement</li> <li>▶ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')</li> <li>▶ Modernise ISA 315 to meet evolving business needs, including:                             <ul style="list-style-type: none"> <li>▶ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and</li> <li>▶ how auditors understand the entity's use of information technology relevant to financial reporting.</li> </ul> </li> <li>▶ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.</li> </ul>	<p>We will need to obtain an understanding of the IT processes related to the IT applications of the Council.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> <li>▶ Manage vendor supplied changes</li> <li>▶ Manage security settings</li> <li>▶ Manage user access</li> <li>▶ Manage entity-programmed changes</li> <li>▶ Job scheduling and managing IT process</li> </ul>

# Appendix D – The Spring Report

A combined perspective on enhancing audit quality

The Spring Report ('The Report') was released by the Civic Affairs Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced Civic Affairs Committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](https://accif.co.uk/report) (accif.co.uk).

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# Appendix E – Required communications with the Civic Affairs Committee

We have detailed the communications that we must provide to the Civic Affairs Committee.

## Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Civic Affairs Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit Plan - May 2024 - Civic Affairs Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	<p>Audit Results Report - September 2024 - Civic Affairs Committee; and</p> <p>Auditor's Annual Report - November 2024 - Civic Affairs Committee</p>

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# Appendix E – Required communications with the Civic Affairs Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Audit Results Report - September 2024 - Civic Affairs Committee
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - September 2024 - Civic Affairs Committee
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Civic Affairs Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Civic Affairs Committee responsibility</li> </ul>	Audit Results Report - September 2024 - Civic Affairs Committee

# Appendix E – Required communications with the Civic Affairs Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - September 2024 - Civic Affairs Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:                             <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> </ul> </li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p> <ul style="list-style-type: none"> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The Civic Affairs Committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	<p>Audit Plan - May 2024 - Civic Affairs Committee</p> <p>Audit Results Report - September 2024 - Civic Affairs Committee</p>

# Appendix E – Required communications with the Civic Affairs Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit Results Report - September 2024 - Civic Affairs Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Civic Affairs Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Civic Affairs Committee may be aware of</li> </ul>	Audit Results Report - September 2024 - Civic Affairs Committee
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit Results Report - September 2024 - Civic Affairs Committee; and
Group audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	Audit Results Report - September 2024 - Civic Affairs Committee; and

# Appendix E – Required communications with the Civic Affairs Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - September 2024 - Civic Affairs Committee; and
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report - September 2024 - Civic Affairs Committee; and
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - September 2024 - Civic Affairs Committee; and
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - September 2024 - Civic Affairs Committee; and
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit plan is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Plan - May 2024 - Civic Affairs Committee; and  Audit Results Report - September 2024 - Civic Affairs Committee; and
Value for Money	<ul style="list-style-type: none"> <li>▶ Risks of significant weakness identified in planning work</li> <li>▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses.</li> </ul>	Audit Plan - May 2024 - Civic Affairs Committee;  Audit Results Report - September 2024 - Civic Affairs Committee; and  Auditor's Annual Report - November 2024 - Civic Affairs Committee



# Appendix F – Additional audit information

## Regulatory update

Our objective is to form an opinion on the Council's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Civic Affairs Committee. The audit does not relieve management or the Civic Affairs Committee of their responsibilities.

## Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

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### Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including to appropriately addresses matters he board's statement that the annual report is fair, balanced and understandable, the Civic Affairs Committee reporting communicated by us to the Civic Affairs Committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

# Appendix F – Additional audit information (cont'd)

## Other required procedures during the course of the audit

### Procedures required by the Audit Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Examining and reporting on the consistency of consolidation schedules or returns with the Group's audited financial statements for the relevant reporting period

We have included in Appendix E a list of matters that we are required to communicate to you under professional standards.

## Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- ▶ The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

# Appendix G - Non-Compliance with Laws and Regulations (NOCLAR)

## Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the Council (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the Council), either intentional or unintentional, which are contrary to the prevailing laws or regulations

### Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

### Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

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## Examples of Non-Compliance with Laws and Regulations (NOCLAR)

### Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

### Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

# Appendix G - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

## What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



### Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

### Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

### Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

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Item

## **INTERIM VALUE FOR MONEY ARRANGEMENTS REPORT 2022/23**

**To:**

Civic Affairs Committee 10/07/2024

**Report by:**

Jody Etherington, Chief Finance Officer

Tel: 01223 - 458130 Email: [jody.etherington@cambridge.gov.uk](mailto:jody.etherington@cambridge.gov.uk)

**Wards affected:**

All

### **1. Introduction**

- 1.1 The attached Interim Value for Money Arrangements report from EY (Appendix 1) sets out the work undertaken during the year and interim findings in respect of the Council's Value for Money (VFM) arrangements during 2022/23.
- 1.2 EY staff will be available to discuss their report and answer any questions arising.

### **2. Recommendations**

- 2.1 That the contents of the EY Interim Value for Money Arrangements Report 2022/23 are noted.

### **3. Background**

- 3.1 In line with the National Audit Office (NAO) Code of Audit Practice, EY are required each year to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources, and report a commentary on

those arrangements (also known as the 'value for money' or 'VFM' commentary).

#### **4. VFM risk assessment**

- 4.1 In undertaking procedures to understand the Council's VFM arrangements, the auditors are required to consider whether there are any risks of significant weakness which require additional audit procedures to be completed.
- 4.2 EY have identified one significant risk in relation to the fact that the Council was unable to publish its draft 2022/23 Statement of Accounts by the target date (31 May 2023) set out in the Accounts and Audit Regulations 2015. For context, the draft accounts were published on 22 June 2023. Further details of the risk and the work planned to address this are set out on page 6 of the attached report.

#### **5. VFM commentary**

- 5.1 Under the NAO Code of Audit Practice, auditors are required to publish a commentary on the Council's VFM arrangements against three reporting criteria as follows:-
  - Financial sustainability
  - Governance
  - Improving economy, efficiency and effectiveness
- 5.2 An interim commentary, based upon work completed to date, is set out in section 2 of the attached report.
- 5.3 No significant weaknesses in the Council's VFM arrangements have been identified to date.

#### **6. Implications**

##### **a) Financial Implications**

None



**b) Staffing Implications**

None

**c) Equality and Poverty Implications**

None

**d) Environmental Implications**

None

**e) Procurement Implications**

None

**f) Community Safety Implications**

None

**7. Consultation and communication considerations**

None

**8. Background papers**

No background papers were used in the preparation of this report.

**9. Appendices**

Appendix 1 – EY Interim Value for Money Arrangements Report 2023/24

**10. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Jody Etherington, Chief Finance Officer, tel: 01223 - 458130, email: [jody.etherington@cambridge.gov.uk](mailto:jody.etherington@cambridge.gov.uk).

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# Cambridge City Council

## Interim Value for Money Arrangements Report

Year ended 31 March 2023

30 April 2024

30 April 2024



Civic Affairs Committee  
Cambridge City Council  
The Guildhall  
Market Square  
Cambridge  
CB2 3QJ

Dear Civic Affairs Committee Members

### **2022/23 Interim Value for Money Arrangements Report**

We are pleased to attach our Interim Value for Money (VFM) arrangements commentary report, for Cambridge City Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Civic Affairs Committee and Management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Civic Affairs Committee meeting on 13 May 2024.

Yours faithfully

*MARK HODGSON*

Mark Hodgson

Partner

For and on behalf of Ernst & Young LLP

Encl

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01 Executive Summary



02 Value for Money Commentary



03 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Civic Affairs Committee and management of Cambridge City Council (the Council) in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Civic Affairs Committee and management of the Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Civic Affairs Committee and management of the Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



BOARDROOM



# 01 Executive Summary



# Executive Summary

## Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the period 1 April 2022 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.

# Executive Summary (continued)

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with management and key officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

We identified a significant risk related to 'Governance - How the Council ensures that it makes informed decisions and properly manages its risks' as part of our risk assessment procedures. We set out our planned response to address this risk in the table below.

Description of risk identified	Work planned to address the risk of significant weakness
<p>The Authority was unable to publish its Draft Statement of Accounts by the target dates outlined in the Accounts and Audit Regulations 2015 (31 May 2023). The unaudited statements were published 22 June 2023.</p> <p>The issue above is evidence of a potential weaknesses in proper arrangements for supporting its statutory reporting requirements and effective processes and systems for accurate and timely management and financial information - Governance - How the Council ensures that it makes informed decisions and properly manages its risks.</p>	<p>Reviewing the Council's Statement of Accounts closedown and publishing arrangements.</p>



# Executive Summary (continued)

## Reporting

Our interim commentary for 2022/23 is set out over pages 10 to 12. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Auditor's Annual Report and have been updated in respect of 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

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Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	Significant risk identified	No significant weakness identified
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified



# Executive Summary (continued)

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



## 02 Value for Money Commentary

# Value for Money Commentary

**Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services**

**No significant weakness identified**

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with Management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

During 2021/22 and 2022/23 the Council continued to manage the impact on finances of a number of issues such as general inflation, pay increases and uncertainties in relation to the amount of funding to be received in the future.

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The final outturn on the General Fund for the year was a surplus of £2.5 million, compared to the budgeted deficit of £1 million. This predominantly related to costs that were budgeted for but which ultimately were not incurred, or additional income receipts from central government. There was a net underspend on services of £3.9 million, which is spread across a number of individual services. This was due to a variety of reasons, including increase in interest earned, budget adjustments held centrally, support services costs which have not been fully allocated, difficulty recruiting staff to vacant posts.

During the year, the Council have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services. The Council recognise the challenges ahead in meeting their identified base savings requirements of £11.515 million over the 5 year period to 2027/28 and produce relevant models for assessing the gaps as part of their Medium Term Financial Strategy. If all savings identified are delivered as expected, with minimal additional expenditure, the Council will still face a five-year new net savings requirement of over £7.6 million, with a total budget gap over the five years of nearly £25.0 million.

At the 31 March 2023, the Council held a General Fund Reserve balance of £28.1 million and had further Earmarked General Fund reserves of £28.7 million, which provides a strong level of resources if future savings are not identified or achieved in each of the 5 financial years of the Medium Term Financial Strategy, to allow the Council to continue to deliver services.

The Council should continue its scenario assessment of the savings requirement and continue to identify relevant schemes to achieve the annual savings requirements to minimise the use of reserves where possible.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**

# Value for Money Commentary (continued)

**Governance: How the Council ensures that it makes informed decisions and properly manages its risks**

**No significant weakness identified**

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2023. Our risk assessment identified one risk of significant weakness in arrangements in respect of governance.

The Council have continued to manage governance considerations in response to the current challenges such as the conflict in Ukraine and the cost-of-living crisis, including in partnership working and delivery of services with other local authorities. The Council reviewed the Budget Setting Report in February 2022, with the Medium Term Financial Strategy updated during the year. Both documents were taken to the Strategy and Resources Scrutiny Committee before final approval at Full Council, which ensures that all Members are kept well informed of the process.

The Council's Annual Governance Statement sets out the core governance arrangements for the year, including an Action Plan, which demonstrates how the Council's Code of Governance reflects the seven principles of good governance. The Head of Internal Audit concluded that for the 2022/23 financial year, 'reasonable assurance' may be awarded over the adequacy and effectiveness of the Council's overall internal control environment.

We identified that improvements are required in the preparation of Statement of Accounts in 2022/23. The Authority was unable to publish its Statement of Accounts by the target dates outlined in the Accounts and Audit Regulations 2015 (being the 31 May 2023). The unaudited statements were published on the 22 June 2023. The Council did set out in its statutory notice, published on Council's website, the reasons for not being able to publish the draft Statement of Accounts by the 31 May date. The delay was caused by prioritising the closure of the 2021/22 Statements of Accounts audit, that in turn impacted the preparation of the 2022/23 Statement of Accounts.

The Council did properly advertise and held the inspection period for members of the public to inspect the Statement of Accounts in line with Accounts and Audit Regulations 2015. We confirm that the 2022/23 draft Statement of Accounts were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has also performed bank reconciliations during the 2022/23 financial year.

Whilst we raised the issue above, as a significant risk of weakness (See page 6) we are satisfied that the Council did appropriately set out the reasons for the delay within its Statutory notice, and did subsequently publish the 2022/23 Statement of Accounts as soon as was practicable.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to makes informed decisions and properly manages its risks.**

# Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2023. In 2022/23, we did not identify a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

During previous year the Council have launched the 'Our Cambridge' transformation program, which aims to deliver a more efficient approach to customer focused service delivery.

The 'Corporate Plan' for 2022 to 2027, approved in February, sets four key priorities in respect of climate, poverty, housing, and equality. Performance reporting is maintained against these key criteria, with regular reporting on performance and finances taken to the relevant Scrutiny committees throughout the year to continuously monitor performance. The Council also produced a separate Annual Report which shows progress against the Corporate Plan and publishes an accompanying series of Key Performance Indicators linked to this. This performance information is available to the public, but also allows for key information to be considered as part of decision making on service delivery.

**Conclusion:** Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



# 03 Appendices

# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council produce the Budget Setting Report in February prior to the start of the financial year. Medium-term planning (or a three- to five-year planning system) involve a planning cycle in which managers develop their own plans for specific budget approval for all expenditure. As each year passes, another future year will be added to the Medium Term Financial Strategy (MTFS). This ensures that the Council is always preparing for events in advance. Senior Leadership and the Executive are involved throughout the Budget setting process, ensuring that priorities are considered and relevant financial pressures are taken into account. It is presented to the Strategy and Resources Scrutiny Committee before being taken to the Full Council for approval each February. The Council prepares a capital strategy alongside the revenue budget for the same time period, with the revenue implications of the capital strategy included within the revenue budget. The Council takes into account all the expected financial pressures based on the available information.

How the body plans to bridge its funding gaps and identifies achievable savings

The five-year funding gap is reassessed each year through the MTFS, subject to uncertainties such as the local government finance settlement, political and economic challenges. Sensitivities are considered in this process. In previous years the council has undertaken a series of service reviews to achieve the necessary savings and provide the necessary headroom to fund its priorities. The Council considers a number of scenarios to assist with financial planning. The Council approved the commission of the Our Cambridge Transformation and Recovery Programme within MTFS. It is a long-term programme of transformation, incorporating savings and income generation, which will require an on-going focus on delivery. By 2024/25, the programme is expected to deliver a significant contribution towards the savings requirement. If the Council is unable to bridge its funding gaps, it will be required to draw on its reserves. As at 31 March 2023, the General Fund reserve is at the level of £28 million which is above the minimum level set by the Council's Section 151 Officer. Reserve balances will be used to support service delivery while savings are identified and delivered but cannot be relied on indefinitely.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget setting process allows for the consideration of budget changes service by service, based on how the changes support the council's priorities and impact service delivery. Each budget proposal is supported by narrative which explains the context of the proposal and its impact. Capital proposals are supported by a summary business case. The published MTFS identified a five year net new savings requirement of £7.8 million. This MTFS revises the requirement to £11.5 million, driven largely by inflationary increases for pay and other costs. Scenario modelling indicates that this savings requirement could range from £9.7 million to £19.0 million across the period 2023/4 to 2027/8, illustrating the risks and uncertainties surrounding the assumptions made. The Council's Corporate Plan 2022-2027, approved in February 2022, sets out four key priorities to address these challenges and deliver the council's vision of 'One Cambridge, Fair for All'. It describes what success will look like and includes performance indicators to measure progress.



# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council have a number of joint arrangements in place with other local councils to achieve effectiveness and efficiency of service delivery. Finances are planned through the Medium Term Financial Strategy and budget setting processes. The Council's Corporate Plan is presented and approved alongside the budget, the Treasury Management Strategy and the Capital Strategy in February each year. This sets out the wider objectives of the Council in respect of service delivery.

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How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Budget holders and Heads of Service are responsible for delivering services within allocated budgets, and Heads of Service review financial and performance monitoring reports. Throughout the year, the Senior Leadership Team receive financial reports which identify and explain significant forecast outturn variances and summarise the impact on the overall financial position. Where concerns are identified these are actioned to ensure that the final outturn is consistent with the financial sustainability plans set out in the MTFS. The MTFS sets out risks and uncertainties that could impact the Council's financial position. Every year the MTFS is updated to incorporate the new challenges and pressures. Additional sensitivity analysis provided in the budget setting report to assess the impact of changes under various scenarios (e.g. Council tax, Developer contributions, Housing benefits) and to set out a guide to the effect of changes to the major cost elements and funding streams. Budget Setting Report includes "Performance against savings target" details with the reasons to explain the changes.

# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the year 2022/23.

### Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

### Arrangements in place

The Council maintains risk registers covering corporate, service, shared service and project risks. These are reviewed by Senior Management, the Shared Services Board and programme and project boards as appropriate. The Chief Financial Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy. Internal Audit undertakes a programme of annual risk-based reviews and provides assurance to the Civic Affairs Committee. The Civic Affairs Committee also receives an Annual Report on the anti-fraud work of Internal Audit and the fraud team within the Revenues and Benefits Service.

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How the body approaches and carries out its annual budget setting process

The Council produce the Budget Setting Report in February prior to the start of the financial year. The Medium Term Financial Strategy is then updated during the year. Senior Leadership and the Executive are involved throughout the Budget setting process, ensuring that priorities are considered and relevant financial pressures taken into account. The Medium Term Financial Strategy and Budget are taken to Strategy and Resources Scrutiny Committee before approval at Full Council.

The Leader will set a timetable for strategy proposals, including consultation plans, with input on methods from Scrutiny Committees. Scrutiny Committees review reports outlining strategies and consultation before executive decision-making. Executives consider any committee recommendations, then submit final proposals to the Council via the Chief Executive. The Executive discusses the Medium Term Financial Strategy (MTFS) and strategic budget, followed by scrutiny and public consultation. The Strategy and Resources Scrutiny Committee reviews the draft budget, providing feedback to the Executive and Council. The final budget, incorporating public and committee input and the Council's Section 151 Officer's advice, is approved by the Council with potential amendments.

Capital programme controls include full council approval for capital expenditure, Section 151 Officer's sanction on capital schemes, and Capital Programme Board approval before budget approval processes. Council members can speak at these meetings.(h) monitoring of progress in conjunction with expenditure and comparison with approved budget.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The Council operates a modern, cloud-based financial management system. This enables budget holders to review their budgets on screen and regularly update their forecast spend. Budget holders are supported and challenged in this by Service Accountants. Internal Audit review aspects of the system of financial control on a rolling basis and report their findings to the Civic Affairs Committee as part of their annual Internal Audit reporting programme.

The Council's Section 151 Officer is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the full council for approval and is also responsible for reporting, where appropriate, breaches of the financial regulations to the council and/or to the executive. The monitoring officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the full council and/or to the executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

In the 2022/23 financial year, the Council was unable to publish its Statement of Accounts by the target date outlined in the Accounts and Audit Regulations 2015 (being the 31 May 2023). The unaudited statements were published 22 June 2023 due to issues noted within the Statutory notice published on Council's website. The delay was caused by prioritising the completion of the 2021/22 Statements of Accounts audit, that in turn impacted the preparation of the 2022/23 Statement of Accounts.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

The Council adopts a decision-making process based on a committee system. Council meetings are open to the public and Councillors decide overall policies and set the budget each year.

Decision-making processes and delegations are set out within the Constitution and Financial Regulations for all Committees, as well as decision making that is delegated to Council Officers. Where formal decisions are required they are pre-scrutinised by the appropriate scrutiny committee in advance of presentation to Full Council. This ensures that the necessary information is provided and that recommendations can be challenged before decisions are made.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The Council maintains appropriate Registers of Gifts and Hospitality, and guidance is provided on the Council's intranet. Any matters, for example from whistle-blowing processes or complaints, are investigated in accordance with agreed processes and/or referred to Internal Audit or the Monitoring Officer, as appropriate. Councillors are required to complete and update the Council's Registers of Interest which are available on the Council's public website.

Councillors must adhere to a Code of Conduct that outlines acceptable behaviours and Council dealings. They are required to declare their employment, financial interests, and maintain confidentiality, among other ethical rules. The Code mandates registering interests, owning land, affiliating with organizations, and reporting any gifts or hospitality. These disclosures are accessible on each Councillor's page under "Members Interests" and "Gifts and Hospitality." All related regulations are embedded in the Council's Constitution.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How financial and performance information has been used to assess performance to identify areas for improvement

The Council's Corporate Plan 2022-2027, approved in February 2022, sets out four key priorities to address these challenges and deliver the Council's vision of 'One Cambridge, Fair for All'. It describes what success will look like and includes performance indicators to measure progress. Regular reporting of performance and financial is undertaken. As part of this, the Council consider the delivery of services and the Council priorities and previous performance. The Council, Executive & Scrutiny Committees receive a variety of performance based reports throughout the year to continuously monitor performance. The Annual Report sets out the performance against the Council's priorities and Annual Governance Statement set out the review of performance for the year.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Corporate Plan sets out key performance indicators for the Council's objectives, and provision of services are assessed against these objectives. The Annual Report sets out the performance against the Council's priorities and Annual Governance Statement set out the review of performance for the year. The nature of monitoring therefore is dependent on the nature of the service provided and the key performance indicators monitored. The Narrative Report sets out a review of achievements against the corporate plan.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council ensures that it is represented on partnership bodies by relevant senior managers or members, as required. Regular reports are brought to the relevant Scrutiny Committee for review, for example on shared services and work with the Combined Authority. Other key partnerships include the Greater Cambridge Partnership, where the Council have a nominated member who sits on the Executive Board for key decision making at the partnership. The Council's Section 151 Officer oversees effective controls to prevent resource waste, maintains a contract register, performs risk assessments before agreements, ensures proper accounting for partnerships, and considers governance and legal issues in external contracts. Directors/Assistant Directors must secure approvals prior to finalizing negotiations with external parties.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

The Council has a procurement team which provides advice and support to officers undertaking procurement activities. The team also maintain procurement guidance and templates, the contract register and a separate procurement system. Internal Audit also review procurements as part of their Internal Audit plan. In accordance with the Constitution, significant procurements must be approved by the Executive Councillor following scrutiny at the relevant committee. The Monitoring Officer has overall responsibility for ensuring the Council complies with relevant laws and regulations. Each Director and Head of Service is responsible for ensuring that his/her department complies with Contract Procedure Rules, the Financial Regulations and all applicable legislation. They must ensure that procurement requirements are appropriately planned, reported, monitored and awarded. They may delegate the practical elements of the processes to competent personnel within their departments, who are then equally responsible for ensuring these Rules are adhered to.

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## UPDATE ON ALTERNATIVE OPTIONS TO AREA COMMITTEES

**To:**

Civic Affairs Committee 10/07/2024

**Report by:**

Andrew Limb, Assistant Chief Executive

Tel: 01223 - 457004 Email: Andrew.Limb@cambridge.gov.uk

**Wards affected:** All

### 1. Introduction / Executive Summary

- 1.1 This report provides the follow-up to a report brought to Civic Affairs Committee in October 2023, as requested by the Committee at that time. It provides an update on work carried out in accordance with that report's recommendations to explore alternatives to Area Committees.
- 1.2 The report proposes a direction of travel and emerging ideas for more meaningful forms of democratic and civic engagement with local communities, building on earlier feedback from councillors and others.
- 1.3 Many other progressive councils are testing and learning from different ways to engage communities, building on the Covid experience. Cambridge has made a positive start on this journey. The Council should continue to work with local communities to develop more diverse, community-centred approaches that enable richer and more meaningful conversations than traditional council committees.

## **2. Recommendations**

To recommend to Council:

- That Area Committees be paused for the remainder of the municipal year, 2024/25, while pilot work on alternatives continue and while more detailed proposals are developed for implementation from the start of the municipal year 2025/26.

## **3. Background**

### **Process and findings of the review to date**

- 3.1 The City Council commissioned the Centre for Governance and Scrutiny (CfGS) to advise on governance arrangements at the Council in the Autumn of 2021. The CfGS surveyed councillors and officers on various issues and reported their findings in early 2022.
- 3.2 With regard to Area Committees, the CfGS noted that “There was a strong view that Area Committees need a complete overhaul – that they are no longer fit for purpose...Area Committees should integrate better with existing community engagement activities and the Council should give consideration as to whether they need to be formal committees.”
- 3.3 The CfGS recommended: “Consider pausing Area Committees while a review is undertaken, releasing officer and member resource to focus on developing a new approach which forms part of the Council’s community engagement strategy.”
- 3.4 In the summer of 2023, the Council determined to undertake a review of governance arrangements, responding to key recommendations of the CfGS. A member Governance Reference Group (GRG) was formed to take this forward.
- 3.5 In October 2023, the GRG reiterated the need for change from Area Committees as they had lost direction and purpose, were poorly attended, and did not make good use of officer or councillor time and resources. The desire to hear from communities more effectively, and to hear different voices, was a key theme for members.



- 3.6 Via a report to Civic Affairs, Council agreed to pause Area Committees for two cycles and asked officers to report back in July 2024 as outlined in this report.
- 3.7 To support the process of review, the social enterprise New Local was engaged to identify alternative approaches. New Local interviewed a number of City Councillors, a small number of officers and community representatives. New Local also reviewed approaches to local democratic engagement in other councils.
- 3.8 From their interviews with Cambridge councillors and community representatives, New Local heard further views on the limitations of Area Committees and the desire for more informality, dynamism, inclusivity and co-ordination with existing activity (as well as some reflections on when Area Committees had worked best, which included occasions when contentious issues had led to greater attendance, and when decisions had been taken at the committees).
- 3.9 New Local also identified the broad range of other channels and fora by which Cambridge residents and communities contact or engage with the City Council, after officers undertook a mapping exercise over the winter. See Appendix B.
- 3.10 From their research on other councils, New Local identified different approaches taken in various councils – they reported that there was not a single approach that had been proven to “work”, and a number of councils were going through similar trials of new approaches.
- 3.11 Some of these seemed to fit closer with the aspiration of Cambridge councillors to be more informal and engaging, and responsive to differing issues and needs within their areas (e.g. aspects of the approach taken by places like Test Valley and Oxford City). Here, a “portfolio” approach (a variety of types of engagements adapted for different local needs) allowed different types of engagement best suited to different needs and issues, but included informal forms of local engagement which put councillors in a more “community councillor” or “community champion” role.
- 3.12 New Local presented their initial findings and thinking to the Governance Reference Group in April 2023, and heard responses and reflections that broadly reiterated the focus going forward on hearing resident voices on their own terms and hearing from a wider cross-section people.

- 3.13 New Local reflected this feedback in their final report, which was submitted to the Council in May 2023 (Appendix A). The report included five recommendations:
1. Take a portfolio approach to member-resident engagement rather than returning to the Area Committee structure.
  2. New activities should explicitly prioritise open-ended resident voice and relationship-building in dynamic, informal settings.
  3. Member-resident engagement should build on existing community-led structures and activity, wherever possible.
  4. Consider opportunities to increase / better signpost the number of opportunities for residents to meaningfully influence decision-making such as through tenant reps.
  5. Consider the opportunity of the grants review to explore participatory budgeting.
- 3.14 In addition to New Local's report and the internal officer discussions and mapping process, a number of other relevant strands of work have started since the decision to pause Area Committees was made (some of which were not foreseen or planned at that point).
- 3.15 Firstly, the Council has developed and adopted a Community Wealth Building Strategy, with unanimous support at committee. This strategy sets a new direction for the Council in seeking to collaborate with communities to build social and other forms of capital in the city's communities. This includes an ambition to build community power (community-led agency over more decisions and initiatives).
- 3.16 Secondly, the new Director of Communities joined the Council in November and has been working with colleagues to develop new ideas. This will include a redesign of the Communities Group and a transformation of our ways of working with communities.
- 3.17 Thirdly, as part of this evolution in ways of working, the Council has initiated a new approach to community engagement in East Barnwell, under the "Shaping Abbey" banner. This cross-council initiative has sought to put community-led discussions and community voice at the heart of a more co-ordinated approach to the Council's activity and engagement in that community.

- 3.17.1 Abbey is an area set to receive over £100m investment over the next few years with significant regeneration, new community and sports facilities as well as additional key infrastructure coming forward. With this pilot, the Council is taking a place-based approach and putting residents at the heart of its engagement, seeking to ensure those who live in Abbey have a greater say about things that affect their lives and their community and building stronger relationships with the Council.
- 3.17.2 Activity has included community conversation and listening events in March, June and another planned in October. Officers are testing new methods of engagement as well as cross service and organisational working. Learning from this will influence future engagement plans as they emerge.
- 3.18 Finally, the Council has agreed to undertake a programme of work to design and implement a revised Leader and Cabinet model of decision making and to revise its constitution.
- 3.19 All of these processes and initiatives have started and are underway, but not yet concluded. They are all part of a piece, around listening, engaging and participating with communities in a richer and more meaningful way, to enable the Council to play a modern, convening, enabling and empowering role in the city.
- 3.20 In this context, officers recommend pausing Area Committees to the end of the current municipal year (2024/25), while these initiatives (including the Shaping Abbey pilot) progress and evolve, allowing officers and members time and space to learn and reflect further, and to crystallise a new approach that could be implemented from the start of the 2025/26 municipal year.

### **Looking ahead – options to develop**

- 3.21 Current thinking on what that approach could look like, taking account of the New Local report as well as the city council-led initiatives mentioned above, is as follows.
- 3.21.1 In 2-3 areas of the city, the Council might take forward the “Shaping neighbourhoods” approach that is being piloted in East Barnwell. This would best suit those areas of the city where the council has a number of different but related projects or areas of activity, and might include for instance

(in addition to parts of the East area of the city) neighbourhoods in the north of the city where there are particular challenges around life chances as well as opportunities arising from regeneration or growth; and neighbourhoods in the south of the city where growth and change are also presenting opportunities and challenges that would merit closer community engagement as well as stakeholder co-ordination.

- 3.21.2 Exactly what this might look like needs to be worked up as further learning from the Abbey experience emerges.
- 3.21.3 Complementing this richer, more intense approach in this limited number of neighborhoods, officers are thinking that there would be a “universal” approach in all areas (probably ward based) which would feature the kind of informal, community-led engagement activities seen in Test Valley and elsewhere.
- 3.21.4 These might be characterized as “Cambridge Community Conversations”, and could take place perhaps once or twice per year (depending on local community demand / need / capacity). They would provide spaces for the community (probably convened/represented by key local community groups where these exist) to set the agenda, and to share with councillors their key ideas, aspirations, concerns and challenges.
- 3.21.5 As per the New Local recommendation, they would build on existing community groups and activities and events wherever possible, so that the Council would, through ward councillors, be engaging on communities’ terms, and in formats that residents felt comfortable with. This should make it more likely for residents to feel able to voice their thoughts, ideas and concerns. It would place local councillors in a community champion role.
- 3.21.6 Officers envisage that training/development activities could be provided for councillors to help them develop their skills and confidence in this more active role, where appropriate (recognizing that many councillors already have great skills and experience in this territory).

- 3.21.7 The Community Councillor role could potentially include promoting the new small community grants proposed in the recent Community Grants Review. See para 3.25 below.
- 3.21.8 In many parts of the city, there are existing residents' / community groups that could be encouraged / supported / empowered to play an active role in convening and enabling such "community conversations".
- 3.21.9 In those places where such social capital is less well developed, the Council's Communities team may be able to play a supporting role, subject to the outcomes of the Communities redesign project.
- 3.22 As the thinking on all of these initiatives and approaches is set to evolve over the next six months, it is proposed that the Director of Communities bring a report to the Environment & Communities scrutiny committee in March 2025 setting out details of the proposals. Any consequent changes to the constitution would be brought back to the subsequent Civic Affairs Committee.
- 3.23 Officers believe this approach would fit well into an emerging strategic approach to stakeholder and community engagement under the "Cambridge Conversations" banner.
- 3.23.1 The Leader's / Executive's annual/biannual briefing might be seen as the pinnacle of this approach;
- 3.23.2 the thematic partnerships and events that the Council is involved in or convenes being an intermediate tier of "thematic Cambridge conversations".
- 3.23.3 the neighbourhood-based approach outlined in this paper forming the foundation level "Cambridge Community Conversations".
- 3.24 Again, this is emerging thinking which hasn't been fully worked up yet, but is shared here to give greater context to the proposals in this paper.
- 3.25 In the meantime, where councillors and local community groups or organisations have or are able to agree arrangements for such community-led conversations in the remainder of this year, officers see no reason why these shouldn't go ahead as part of the piloting / learning process.

- 3.26 The other fora and channels for community and resident engagement are expected to continue (albeit there may be ways to improve or review these in due course). This includes some specific place-based initiatives including the “Community Forums” that exist to bring residents together with the councils and developers to plan and manage new communities most effectively.
- 3.27 In terms of other activities that previously took place under the auspices of Area Committees, as mentioned above, Area Committee grants are now being replaced by Small Community Grants [subject to Executive decision on 27<sup>th</sup> June]. This should ensure that the Council’s grant funding is more focused on the greatest need, and recognises that communities are best placed to define what ‘community’ means to them, whether that be a community of place, identity or interest.
- 3.28 The current Environment Improvement Programme has no further capital budget allocation beyond this year. Officers are currently focusing on catch-up and delivery of existing commitments, taking stock of what funding might be left over from current allocations and whether there may be potential to consider further applications later in the year. Officers will share project proposals with ward councillors for comment prior to decisions on any new allocations being taken by the Executive Councillor.
- 3.29 Crime data and issues affecting residents are now managed directly by the police, and all councillors and residents are invited to attend the Cambridge Community meetings that the police arrange.
- 3.30 Some environmental data will be published on the council webpages by ward on an annual basis, allowing councillors and residents to see trends in the data and to inform any issues they may wish to raise with officers or the executive councillor. This could be discussed, for instance, at the Cambridge Community Conversations, if local residents wished.
- 3.31 In these ways, the business of the Council can continue to have a locality focus in a more efficient and engaging way. Officers do not believe it would be appropriate to re-start Area Committee meetings for two cycles during the remainder of this municipal year. Re-starting these meetings would not seem to be a good use of public resource, officer or member time, given the feedback received from councillors and others through the CfGS and New Local surveys.

Officer teams across the council, including the Democratic Services team, are going through redesign and restructure processes, and/or are facing capacity challenges and constraints.

3.31 Finally, as the thinking on this approach to engagement develops alongside the work to design a new governance system, we anticipate there will be ways to link the two.

3.32 For instance, councillors could bring the insights into community concerns that they might glean through community conversations back into the Council's policy-making, decision-making and scrutiny processes, potentially. This could help ensure that those processes are informed by that greater understanding of communities and residents' issues that would emerge from the richer conversations that we anticipate would take place.

## **Conclusion**

3.33 In conclusion, officers believe there are exciting new ways for councillors and officers and the council more broadly to engage in their communities.

3.32.1 For individual councillors, we believe this approach would put them more firmly and visibly at the heart of their communities as community councillors and champions.

3.32.2 For the Council as a whole, this approach seems to fit well with the underlying aspirations of the Community Wealth Building strategy, to be empowering and listening to communities, and giving them more of a voice and a say.

3.34 While the details are still to be worked through, we believe this sets a positive and progressive direction of travel.

## **6. Implications**

### **a) Financial Implications**

The budget allocation for Area Committee venues and audio (around £6,000) would not be spent, although this has tended to be subsumed by pressures in the democratic services budget arising from additional member support costs.

Going forward, officers do not anticipate a significant budgetary impact from the proposals outlined in this paper, although detailed plans for new engagement methodologies will need to consider financial resources required including associated costs for training of members and officers.

**b) Staffing Implications**

Pausing Area Committees for the remainder of the municipal year would mean committee managers would have some additional capacity to continue streaming other committee meetings, and to engage in the review of their team that will accompany the governance review. The recent resignation of one committee manager means the team will be at three quarter capacity in this summer/autumn.

The future proposals outlined in this paper may have implications for staff in other teams including the Communities Group, subject to the detailed proposals to be worked up and brought forward by the Director of Communities alongside his Group redesign project.

**c) Equality and Poverty Implications**

No significant equalities or poverty impacts have been identified. These factors (including accessibility to any new types of engagement) will be considered as the detailed proposals are developed.

Officers anticipate that there will be positive impacts from the Council shifting resource and focus to more intentionally hear from seldom-hear communities and residents whose voices have not always been well-represented in more traditional consultation processes.

**d) Net Zero Carbon, Climate Change and Environmental Implications**

No impacts have been identified.

**e) Procurement Implications**

N/a



## **f) Community Safety Implications**

Policing and community safety data and priorities will continue to be managed by the police through their events, which are open to all.

## **7. Consultation and communication considerations**

Members of the Governance Reference Group or their nominees, plus a small number of officers and community representatives were interviewed by New Local as part of this process. New Local presented their initial findings to the GRG and took on board GRG members' feedback in finalizing their report.

The Council's website will be updated to reflect the position on Area Committees if this recommendation is agreed.

Community groups will be engaged informally as the thinking on the new approaches develop in the coming months.

## **8. Background papers**

Background papers used in the preparation of this report:

Review of Governance – [Recommendations from Governance Reference Group 9/10/23](#)

Cambridge City Council [Community Wealth Building Strategy](#)

## **9. Appendices**

Appendix A – Fora and channels for community and resident engagement

Appendix B - Local Democratic Engagement in Cambridge (New Local)

## **10. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Andrew Limb, Assistant Chief Executive, tel: 01223 - 457004, email: [andrew.limb@cambridge.gov.uk](mailto:andrew.limb@cambridge.gov.uk)

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**CAMBRIDGE CITY COUNCIL CHANNELS & FORA FOR COMMUNITY & RESIDENT ENGAGEMENT (as at Spring 2024)**

- Community Forums (growth sites – Cambridge East; Northwest & West Cambridge; North East Cambridge)
- Development Control Forum
- Formal consultations (via CitizenLab and other means)
- Resident (tenant & leaseholder) engagement, including:
  - Residents Panel
  - HSC tenant reps' meetings
  - Estate Improvement Schem consultations
  - Resident Involvement newsletter
  - Open Door
  - Sheltered Housing magazine
  - Tenant survey
- Community Clean Up Days
- Ward Walk-about
- Leaseholder Forum
- Member & Officer attendance at Residents' Association / Friends of meetings
- Community Development newsletter & social media pages
- Youth Engagement Scheme (GCSPS)
- Shared Planning Forums
- Place/project-specific events such as Shaping Abbey pilot, Darwin Green meetings
- Council corporate communications including:
  - Cambridge Matters
  - City Council website

- Press releases
- City council social media channels
- Committee & Council meetings – petitions & public questions
- Customer complaints and feedback
- Direct contact with councillors including through canvassing, surgeries, casework

# Local Democratic Engagement in Cambridge

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# Contents

1. Project overview and summary recommendations
2. Context: National trends
3. Possible functions of local democratic forums
4. Reporting back on interview outcomes
5. Learning from elsewhere
6. Governance Reference Group discussion notes
7. Recommendations

# **Project Overview and Summary Conclusions**

# Project Overview: Local Democratic Engagement in Cambridge

## Project objectives:

- Support reflection on existing local democratic arrangements and consider future options for Cambridge
- Share insight and good practice from elsewhere

## Project Activities

1. Research on key relevant local policies and national good practice
2. 10 interviews:
  - 5 x Officers
  - 6 x Councillors (Labour, Lib Dem, Green)
  - 4 VCS / resident representatives
3. Mapped potential priorities & functions
4. Selected contrasting good practice from around the country
5. Presentation to Governance Reference Group to inform final report
6. Preparation of recommendations and implementation options



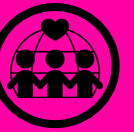
# Summary Conclusions

- Across 10 interviews, diverse stakeholders reflected on the strengths and weaknesses of Area Committees. While the importance of visible opportunities for councillors to meet with residents and play an active role in the community was strongly reaffirmed, there was wide agreement that the format was not working effectively.
- Interviews suggest that there is a wide range of potential desirable objectives for any new activities. We recommend that the objectives of any activity are well-focused and explicit to ensure that they meet resident expectations.
- Our research suggests that experiences in Cambridge are consistent with wider trends in both council area-working structures, and democratic engagement in general.
- Councils are broadly responding in one of two ways: re-committing to traditional structures with specific innovations to tackle the problems, or moving to more flexible activities distributed across different levels of council working.
- Based on the interviews we conducted and the preferences of the Governance Reference Group, we recommend the latter approach. In-depth recommendations are presented on the next slide, along with a potential formats for implementation (end of report).

# Recommendations

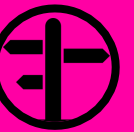
1. Take a **“portfolio approach” to member-resident engagement** rather than returning to the Area Committee structure. This will allow limited resources to be focused on those functions which are currently missing and/or higher impact. This will require that the (already wide) range of opportunities for engagement and for meeting other objectives are clearly signposted to both members and residents.

2. Any new activities should explicitly prioritise **open-ended resident voice and relationship-building in dynamic, informal settings** (in contrast to consultation on specific council activities). This will also encourage a spirit of early consultation and input. Given diverse community preferences, these functions are likely to lend themselves more to a series of decentralised activities. This is likely to require a degree of experimentation and ongoing review. Members might benefit from additional training and support to execute this role.



3. Wherever possible, additional member-resident engagement activities should build on **existing community-led structures and activities**. Where possible, **community-led activities should be proactively supported** to support this kind of engagement.

4. As part of the review of the wider engagement portfolio, consider opportunities to increase / better signpost the **number and impact of opportunities for residents to meaningfully influence decision-making**, noting existing successful examples in Cambridge (e.g. Tenant Residents' Group).



5. In particular, consider the opportunity of the grants review to explore **participatory budgeting**, given the strong stated resident interest, tangibility of impact, clear link to the principle of resident-voice, and positive track record in other places.



# Context: National Trends

# Wider National Context: Recent Trends

Our interviews in Cambridge and wider work across the country suggest that several national trends are also relevant in Cambridge. They provide useful context to understand both the status quo and choices about the way forward.

## Diversification of info & engagement mechanisms

There is rapid **proliferation of new communities receive information** (e.g. offline / online), coupled with a **decline in the reach of mainstream media** resulting in fewer shared sources of information.

There is **diversification of communities' abilities, preferences and habits** in engaging with authorities and each other.

## Wider democratic challenges

**National / international trends** are often also undermining local working (polarisation over specific issues; misinformation e.g. about council schemes; general institutional distrust).

NB: Local government remains more trusted than national government

## Covid effect

The **impact of the pandemic** is still evolving, but seems to be affecting trends in engagement: e.g. proliferation of informal activity; some traditional engagement routes apparently struggling (e.g. formal volunteering).

## Diverging choices for councils

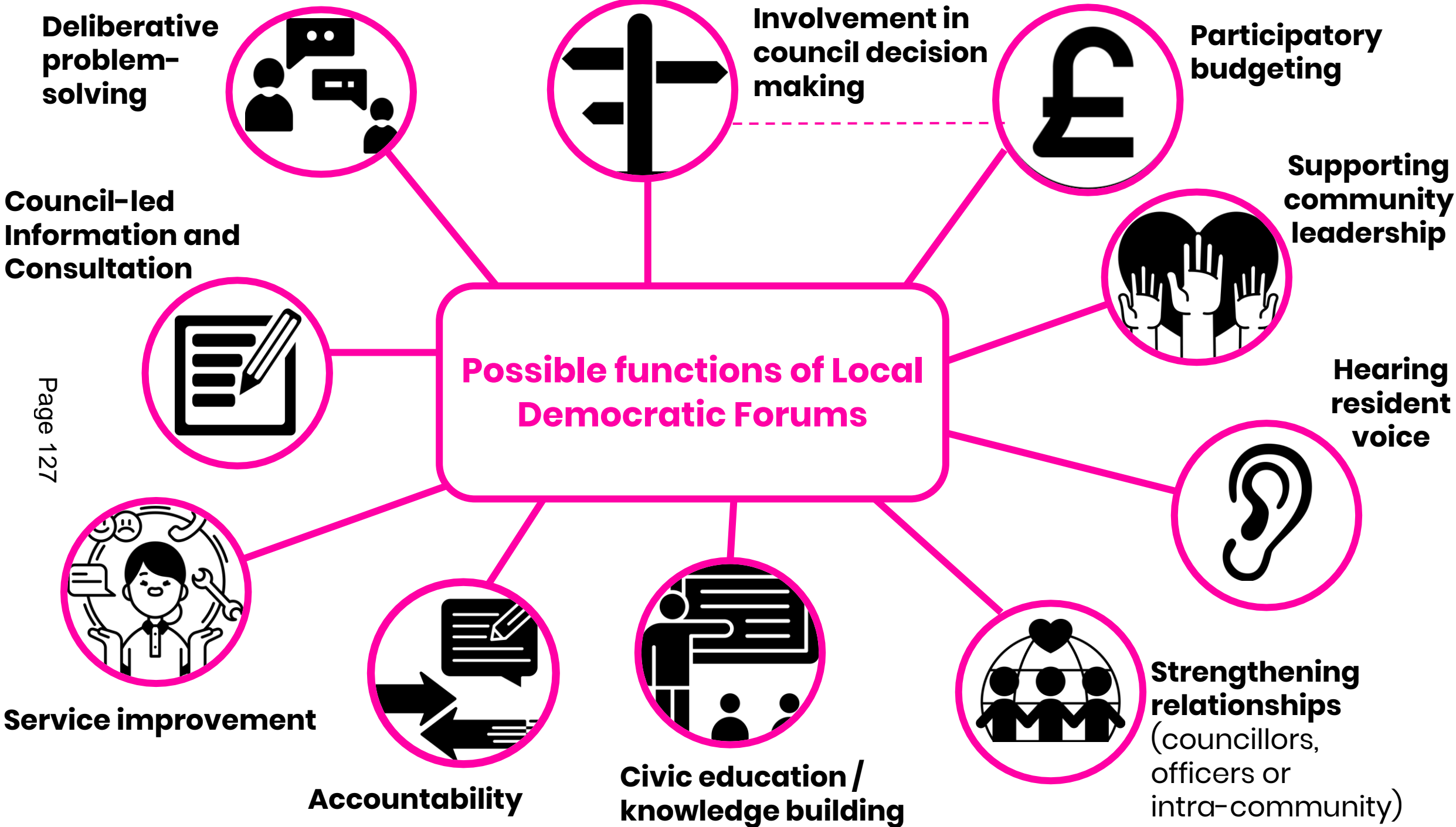
In response to both these trends and local circumstances, we see diverging responses:

- **Some councils abandoning traditional local coordination structures** in favour of cross-area, community-driven activities;
- **Some re-committing** by improving traditional models with additional resources / new methods

# Possible Functions of Local Democratic Forums

# Developing a clear focus

- Local democratic forums can be used to achieve a **very wide range of objectives** – overleaf are those which came up as desirable in Cambridge.
- While several of these are interlinked and mutually reinforcing, it's **very difficult to achieve all objectives to a high quality** without significant complexity and resource investment.
- Having clear and publicly shared objectives will ensure that residents, officers and members have **shared expectations** about what their involvement will and won't achieve. This is important to building trust for any additional activities.
- We therefore **recommend being explicit about the purpose** of different activities, while signposting to other opportunities and activities across the council. This will allow residents to make informed and meaningful choices about where and how they engage.



# Reporting Back on Interviews



# Summary of Interview Outcomes

**1. Current format not working:** There was strong consensus that Area Committees have not been functioning as an effective democratic engagement mechanism, or a good use of time /resources. While many interviewees were appreciative of the original intent, common problems have included poor, unrepresentative attendance, an unclear / mismatched remit, and an unengaging format.

**2. Successful engagement elsewhere:** There was awareness and appreciation of a wide range of other successful community engagement activity, including council-led, community-led and partnerships between the two.

**3. Ambitions for the future – Function:** The top stated objectives for any new activities were

- Hearing resident voices more widely / openly
- Strengthening of relationships
- Participatory budgeting (if possible)

**4. Ambitions for the future – Format:** Top stated priorities for the format for any new activities were:

- Informal / dynamic
- Inclusive
- Coordinated with existing (community) activity

# Experiences of Area Committees: Appreciation & Bright Spots

## Appreciation of Key Elements / Intent

- Good to listen to & **build relationships** with councillors / officers / residents in person
- Good to **involve residents in decision-making**
- Useful opportunity for **officer-councillor working**

## When it worked....

- **Contentious issues** drove high attendance
- Some success when focused on **planning**
- **Experimentations** with format (North Area pilot 2011/2012)

# Experiences of Area Committees: Challenges

## Lack of clear & compelling purpose

- Unclear what the purpose was, and who the committee was supposed to be useful for
- “Talking shop”; no meaningful ability to hold power to account (particularly after transition online)

## Experiences often neutral / negative

- Felt bureaucratic and uninspiring
- Discussion often dominated by concerns that didn't motivate wider audience
- For some: Felt like a political platform for attending councillors

## Attendance: Limited and unrepresentative

- Attendance overall was often very poor
- Of those attending, poorly representative of wider Cambridge population
- Limited awareness in wider community; poorly advertised

## Mismatched remit

- Geographic remit not matching resident experiences of issues – often not relevant
- Mismatched expectations because of confusion re levels of government

## Issues with format

- Generated significant officer workload for little obvious effect
- Timing inconvenient for many

# What Activities, Channels and Groups Are Succeeding in Securing Engagement from Cambridge Communities?

## Council-led

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- Tenant Panel  
Growth Community Forums  
Environmental Improvement Programme
- Community engagement team activities: volunteering; litter-picking / community clean-up days
  - Pop-up consultations e.g. housing redevelopment
  - Ward walkabouts
  - Some individual councillor engagement

## Collaborations

- Food Poverty Alliance
- Piggy-backing / bolting on to existing activities e.g. food-hub & warm-hub connection
- Pop-ups: Ukraine, cost-of-living.
- Community groups  
Whatsapp group
- Fairs & events e.g. volunteer fair.

## Community-led

- Residents' Associations (variable)
- Community groups e.g. Abbey People, Queen Edith's Forum
- Mobilisation around one-off concerns
  - But doesn't sustain
- Civic education classes
- Faith groups

# Aspirations for the Future: Function

## Leading priorities

### Clarity of objective

Considered important regardless of what it is



**Resident voice**  
(on their own terms) being heard by councillors and officers



**Participatory budgeting**



**Strengthening relationships**  
(particularly councillors, also officers)

## Several mentions

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**Involvement in council decision making**



**Early-stage consultation & input into council decisions**

## Also mentioned



**Civic education / knowledge building**



**Deliberative problem-solving**



**Service improvement**

# Aspirations for the Future: Form

## Leading priorities

**Informality /  
Dynamism**

**Inclusivity**

**Piggy-backing /  
coordinated with  
existing activities**

## Several mentions

**Agenda set by  
residents**

**In-person**

**Welcoming setting**

**Agenda,  
advertising,  
follow-up**

**Hyper-  
local**

## Also mentioned

**“Managing out  
the politics”**

**Also  
online**

**Managing  
expectations**

**Balance of  
council sharing  
info & reacting  
to info**

**Key tension:  
Routine &  
regular vs.  
occasional**

# Existing Engagement Activity

- There is already a **wide range of existing council-led engagement activity** occurring (see next slide). Coordinating well with existing activities / giving members the opportunity to engage in these activities will both allow an efficient use of resources / minimise duplication and streamline residents' ability to engage effectively.
- A sample of potential **existing activities to further strengthen / align with** is shown below.

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## Aspirations

## Existing Activity / Opportunities

*Voice and decision-making*

*Grant programme review*

*Residents' Panel on Housing Scrutiny*

*Growth Community Forums*

*Using existing opportunities & networks*

*Youth Assembly*

*VCS whatsapp*

*Accessible & inclusive formats*

*Abbey Ward Pilot*

*Appreciative Enquiry*



**Existing Council-led  
Engagement Activity**

Community Engagement WhatsApp group

New Community Steering groups

Petition Scheme

Community Centre User Groups

Development Control Forum

Greater Cambridge Youth Engagement Service

Online consultations and engagement

Youth Advisory Board

Formal Committee meetings

Tenant reps meeting

Tenants' survey

Leaseholder Forum

Ward Walk-about

Network Lunches

Residents Panel

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Community Clean Up Days

Growth Community Forums

Housing Scrutiny Committee elections

Volunteer recruitment and training support

Residents meetings

Ward Walk-about

Community Right to Bid

Grants

Appreciative Enquiry

Resident association Grants

Resident inspectors meeting

Community Safety Partnership



# **Governance Reference Group Discussion Notes**

# Headline notes from Governance Reference Group Meeting 15/4/2024

- The group shared their own experiences of **challenges** of Local Area Committees, and agreed that the format wasn't working effectively
  - The group agreed with wider interviewees that **hearing resident voices** on their own terms, and hearing from a **wider cross-section of people**, should be a priority of the revised arrangements
- Page 138
- It was noted that it's important to allow for **significant diversity between and within wards** – uniform arrangements are unlikely to be successful
- It was noted that there was a **particular benefit to reinstating some form of in-person contact** / opportunity for relationship-building, while noting that some residents prefer / require online opportunities.
  - It was acknowledged that any arrangements should be **consistent with / complementary** to the Council's wider ambitions around **community power, community wealth building and revised governance arrangements**
  - The group therefore encouraged the **exploration of more innovative models** from around the country to meet specific Cambridge circumstances.

# Learning from Elsewhere

## Contents:

- Different approaches to consider
- 3x Thematic Spotlights
- 5x Geographic Deep Dives

# Scope / Footprint of Engagement Activities

Councils' engagement activities – whether member or officer-led – might be organised around a range of potential scopes / footprints. The examples we include consider a range of options.

Council-wide activities / programme

**Scope**

Responsive to community issues & identities

Around administrative boundaries e.g. wards

**e.g. Cam Area Committees**

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# Three Categories of Case Studies

There are 2 broad approaches to structuring democratic engagement arrangements: those councils continuing with / deepening their locality-focused structures around administrative boundaries, and those taking a more mixed portfolio approach (separate functions are distributed across different footprints i.e. ward-level; issue/community-specific; council-wide). There are also councils experimenting with novel engagement formats in general, although these are not always focused on regular councillor activities. As requested, we have focused research on portfolio approaches and innovative formats (including one innovative locality-focused option).

## Iterations on locality-focused structures

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*1x Deep Dive (DD)*

- Durham
- Stevenage
- Bolton (DD)
- Sheffield

**Pros:** Easy-to-understand; lend themselves to some formal decision-making.

**Cons:** Common problems with attendance & inclusivity; often resource-intensive to do well.

## Portfolio approach

*4x Deep Dive (DD)*

- Oxford (DD)
- Barking & Dagenham (DD)
- Test Valley (DD)
- Norwich
- Adur & Worthing (DD)

**Pros:** Offers greater flexibility to appropriately engage with diverse issues and communities

**Cons:** Greater complexity; some residents prefer traditional format

## Innovating away from traditional formats

*3x Thematic spotlights*

- Hearing Resident Voices
- Engagement via Partnerships
- Engaging Formats

**Pros:** Novel formats are showing early success in improving inclusion and engagement

**Cons:** Approaches are emergent and require more development / adjustment

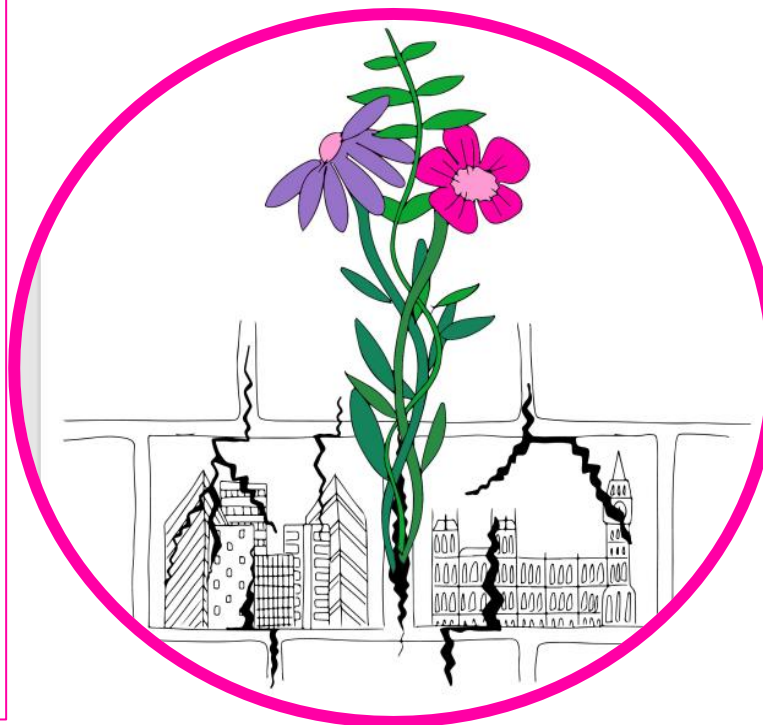
# Spotlight on: Hearing Resident Voice

## Southwark

- Proactive outreach in a specific neighbourhood to build social capital, connection and problem-solving capacity around specific issue (food inequality), with target of speaking to 80% of the neighbourhood
- Mixed stakeholder working groups hosted seven mass engagement events and on-street 1:1 conversations.

### Useful links:

- [Case Study](#)



## Wakefield

- Wakefield Council had a Big Conversation with residents, training 100 ‘conversationalists’ (including councillors and officers) to have over 1,300 face-to-face conversations with people across the district to find out what they like about their area and what would make things better.

### Useful links:

- [Case Study](#)

## Worthing

- Emergent approach, rooted in becoming a listening ‘council for the community’.
- Kicked off via new participation activities including a “Big Listen” campaign to understand how to deliver this agenda, with teams (including councillors) popping up around the town with big red deck chairs.
- **Useful Links:** [The Big Listen](#); *(Also features in Deep Dive)*

# Spotlight on: Engagement Via Partnerships

## Barking and Dagenham

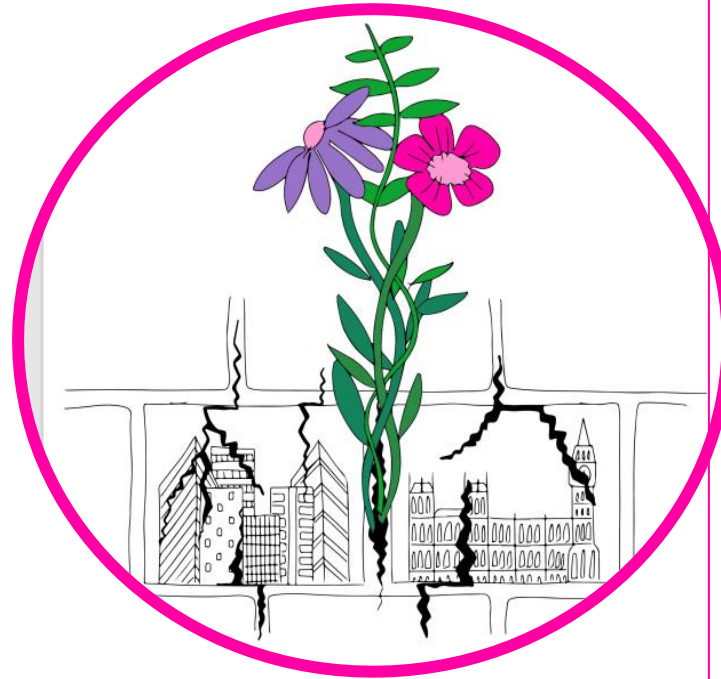
Several cross-borough initiatives heavily focused on mobilising and partnering with community groups, through which programmes are delivered.

Councillor role in building and maintaining key relationships:

• [Citizens' Alliance Network](#) to coordinate resident voice and action at neighbourhood level

• [BD Collective](#) to foster VCSE network & collaboration

*(Also features in Deep Dive)*



## Test Valley (Romsey)

- Members are supported by officers to engage in rolling meetings with local groups and residents, with a particular focus on the role of the “community councillor”
- To tackle a contentious town centre development process, Test Valley ran a Citizens’ Assembly to build a vision from a deliberative, citizen-led starting point. The Assembly provided the starting point for a wider partnership to support ongoing collaborative working

### Useful links:

- [Romsey Future & Podcast](#)  
*(Also features in Deep Dive)*

## Bolton

- New approach in development creating informal networks of local residents, voluntary groups and businesses (also seen as a replacement for area forums).
- Supporting residents to connect better with each other and build on existing approaches.
- **Useful links:** [Community Alliances](#); *(Also features in Deep Dive)*

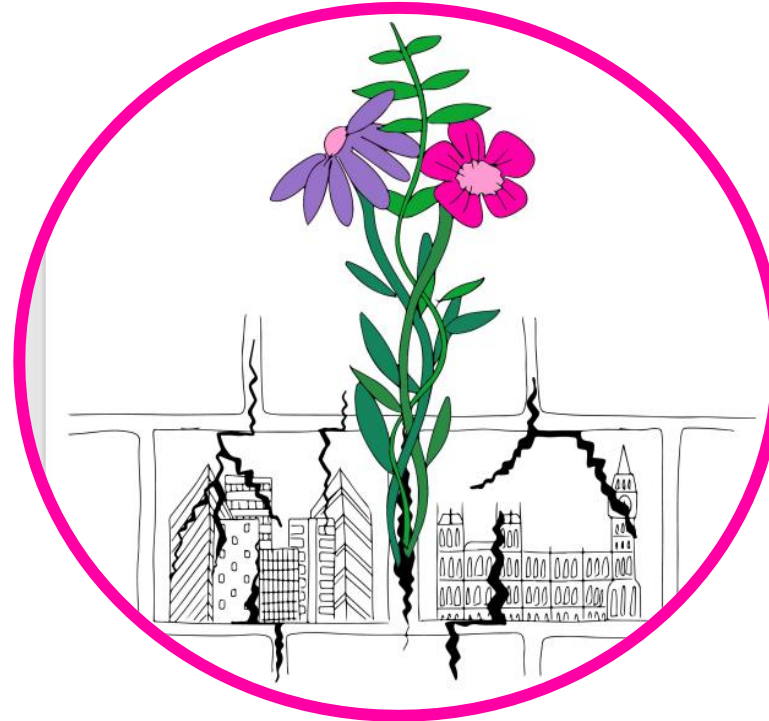
# Spotlight on: Engaging Formats

## Hounslow

- Hounslow Council is running a Citizens' Jury to explore how residents can get more involved in council decision-making

**Useful links:**  
[Citizens' Jury](#)

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## Manchester

- Greater Manchester Combined Authority co-created the Greater Manchester Homelessness Prevention Strategy via a “Legislative Theatre” approach
- 35 residents came together to create original plays based on their experiences of homelessness services. These plays, performed to decision-makers were used to explore and drive decision-making.

**Useful links:**  
[Case Study](#)

## World Café Method

- A method making use of an informal cafe setting for participants to explore an issue by discussing it in small table groups.

**Useful links:**  
[World Café](#)

## Surrey

- Surrey County Council wanted to better engage residents they didn't normally hear from. They ran an event series called “Let's Talk Surrey”, focused on creating safe spaces for residents to talk to the council in an engaging and innovative way.
- One particularly successful activity involved an “escape room” consultation, which reached young people who had not previously been engaged.

**Useful links:** [Case Study](#)



# Deep Dive: Test Valley

**Overview:** Portfolio approach which prioritises building members' role as "community councillor", and investing ad hoc in specific in-depth engagement and deliberative processes when needed; no formal neighbourhood forums

## Where, when, what:

- In order to maximise the democratic involvement of all councillors, the council outlines distinct functions according to role (i.e. executive / backbencher), with an explicit development of the "community councillor" as a key part of the council's approach
- Community Development Team supports councillors to build relationships and meet informally with a wide range of residents and groups around particular local priorities
- Training for councillors in how to play this role well, with ongoing support from officers to focus their energies on key issues, and how to navigate to particular parts of the council
- A cross-party group with leadership representation works together on an ongoing basis to continue to build and develop the role of councillors in council working
- Occasional heavy investment in both engagement processes (e.g. around council plan) and deliberative decision-making processes (e.g. around development). Resource: [Podcast](#)

## Strengths & limitations:

- ✓ Agile, flexible approach enables engagement with a wide range of residents, while limiting constraints posed by bureaucratic structures
- ✓ Balances investment in localised relationships with the ability to invest more significant resources into structured issue- or community-specific activities when needed
- ~ No formal regular space for localised decision-making
- ~ Relies on individual councillors to engage positively with the approach

## Impact

- The team credit the approach with improving the democratic legitimacy of the councillors' roles in the eyes of residents



## **Role of councillors:**

- Meeting informally with residents / groups as needed, in response to the needs and circumstances of their ward; supported by Community Development Team in identifying contacts and issues
- Councillors have small discretionary budget for distribution in ward, associated with wider dialogue / work with CDT

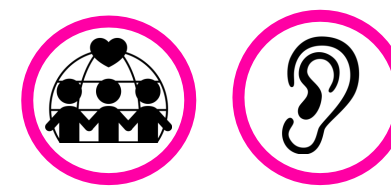
## **Resourcing:**

- Community Development Team of c. 8-10 with some level of local focus
- Small budgets (low £000s) for individual councillors

## **Governance and control:**

- No formal decision-making power via local structures
- Significant use of deliberative processes for other key decisions

# Deep Dive: Oxford



## **Overview: Portfolio approach to engagement (i.e. some local, some issue-specific, some council-wide) with local focus via 4 Quadrants**

### Where, when, what:

- *Ward-level:* Traditional case work; Ward level budgets available to councillors
- *Quadrant-level:* Officer-led Locality teams x 4 working on coordinating local Thriving Communities work with focus on tackling inequalities, including signposting and coordinating partners to provide support; officers support councillor engagement in a locally tailored way; officers support access to centralised [grants programme](#); fortnightly [learning sessions](#) with guest speakers.
- *Cross-council / issue-based:* Several issue-specific partnerships e.g. health and wellbeing partnerships, youth partnerships operating across whatever footprint makes sense to that issue; Some specific engagement projects e.g. [Community Champions](#) programme (focused on health, based in anchor organisations and driving community-led approaches - DLUHC funded); [Barton Health New Town](#) (NHS funded); [Community Insight Profile](#) grants to support community-led activity,

### Strengths & limitations:

- ✓ Quadrants are based on recognisable community identities rather than administrative boundaries; creates structure for a range of council activities
- ~ Officer resource can be spread quite thin; dependent on individual councillor engagement & responsiveness

### Impact & insights

- Portfolio / Quadrant approach allows council to target resources to particularly needed issues / communities, while taking advantage of the benefits of some locality-based working for all areas

### **Role of councillors:**

- Work with Quadrant Manager to build relevant local relationships and identify / respond to local needs
- Small budget available for localised expenditure

### **Resourcing:**

- 4 Quadrant Managers with senior coordinating responsibility, matrix management approach to incorporating both community development team and colleagues from other services – c. 10-12 people in each wider Quadrant team
- Ward budgets: (£1000/councillor + top-ups where available from the Community Infrastructure Levy)

### **Governance and control:**

- No formalised local decision-making structure

# Deep Dive: Barking and Dagenham



**Overview:** Portfolio approach with particular focus on supporting community leadership & community networks; some light-touch neighbourhood focus.

**Where, when, what:** Range of activities operating over different footprints.

- [Citizens' Alliance Network](#) to coordinate resident voice and action at neighbourhood level x7; online collation of opportunities / activities; also acts as consultation hub
- [BD Collective](#) "network of networks" to foster VCSE collaboration in order to work with council on Borough Manifesto aims; run by external partner via tendered contract
- Participatory grant-making via [NCIL](#), allowing residents to direct resources to community groups (£300k/year; outreach via sortition; aims to connect resources from regeneration to activities where residents have voice / experience tangible benefit)
- [CAN DO Fund](#): £250 grants to support community-led events to bring people together
- Some issues/community specific projects (with resources) e.g. [Your Estate Your Call](#) to generate community-led ideas for funded improvements; voted on by community

## **Strengths & limitations:**

- ✓ Broad range of opportunities for residents to get involved supports diverse participation
- ✓ Strong relationships with VCS community underpins other activities
- ✓ Participatory budgeting is well established and involves a high degree of resident voice
- ~ Elements of approach have not been sustainable financially e.g. Participatory City
- ~ Neighbourhood level activity limited to online coordination
- ~ The iterative process meant that some projects were undermined by newer ones

## **Impact**

- Culture of participation core to council's way of operating
- The team credit the approach with enabling their quick and effective covid response, as community networks were already engaged and mobilised
- Once people engage via NCIL, they tend to go on to other engagement opportunities

## **Role of councillors:**

- No formal, regular LAC-type structure
- Particular focus on councillors playing stronger relationship-building role and supporting participatory processes
- During key projects (e.g. [Borough Manifesto](#)) councillors drop into key community venues / activities in order to seek input

## **Resourcing:**

- Citizens' Alliance Network has officer team of 2
- BD Collective core £100k/year contract; 2FTE
- NCIL is key to delivering the participatory budgeting activity

## **Governance and control:**

- Variable by activity as outlined

# Deep Dive: Bolton



**Overview:** Community Alliance model – innovation on traditional locality structure – Informal network of local residents, voluntary groups and businesses

## **Where, when, what:**

- Recent move away from Area Forums, new approach called “Community Alliances” currently being rolled out, with initial activity in 7 areas
- Significant focus on communities leading activities according to their own preferences about issues tackled, and format, frequency and location of activities
- Officers support the Alliances by making connections between groups and people to collectively tackle local issues. Their aim is to discover individuals and groups who might want to be involved, connect them to each other and support them to mobilise themselves to deliver solutions.

## **Rationale:**

- Build on existing locality-focused structures and identities, but move towards a more flexible, community-leadership focused approach within those activities

## **Strengths & limitations:**

- ✓ Highly responsive to community preferences
- ~ Risk of approach preferencing communities with greater existing social capital and resources; equitable access likely to require proactive and ongoing community development activity via the Area Working Coordinator

## **Impact & insights**

- Approach still being rolled out

## **Role of councillors:**

- Supported by Area Working Coordinator to play an active role in the Community Alliances
- *NB: Still emergent*

## **Resourcing:**

- 5 x Area Working Coordinators, each with responsibility for 4 wards
- £15,000 per wards, of which £7,500 per ward to be allocated to community group projects to generate and increase social action for the benefit of residents in the ward

## **Governance and control:**

- No formal governance structures or decision-making responsibility

# Deep Dive: Adur & Worthing

**Overview:** Portfolio approach with particular focus on listening and community participation; investing ad hoc in specific in-depth engagement processes when needed; no formal neighbourhood forums

## Where, when, what:

*NB: Some similarities with Test Valley approach; here spotlighting distinct elements*

- Ongoing experimentation being used to develop approaches
- Kicked off via town-wide [The Big Listen](#)
- Localised projects: Use of a participatory process to build consensus around the [future of Lancing](#); Start of the process was members identifying key data points (e.g. about economy; data points used to open up wider conversations with wider groups; members and community groups then reflected on these stories to identify priorities for the future.
- Similar approach taken to project where community was [frustrated about development delay](#); members supported a process to overcome delays by bringing together developers and community to co-design development

## Rationale:

- Key principle to “make the place the client” with cross-party action to engage community

## Strengths & limitations:

- ✓ Experimentation with new formats in small areas then builds competence and confidence
- ~ No formal regular space for localised decision-making

## Impact & insights

- Approach still in development but indicating early successes in building new and effective councillor roles



## **Role of councillors:**

- Supporting and convening engagement activities as “learning spaces”
- “Community connectors”, connecting residents to council projects, and to each other

## **Resourcing:**

- Officer resourcing not known
- Local funding as below

## **Governance and control:**

- As determined by requirements of projects
- [NCIL Fund](#) distributed via panels where members and community representatives engage on equal footing; distributed via “CIL areas” or clusters of wards

# Recommendations & Implementation Options

# Recommendations

*The following 5 recommendations respond to the shared priority that councillors play an active, visible and effective role in supporting Cambridge's diverse communities to engage with the issues, changes and choices which affect their lives and the city's future.*

**1. Take a “portfolio approach” to member-resident engagement** rather than returning to the Area Committee structure. This will allow limited resources to be focused on those functions which are currently missing and/or higher impact. This will require that the (already wide) range of opportunities for engagement and for meeting other objectives are clearly signposted to both members and residents.

**2. New activities should explicitly prioritise open-ended resident voice and relationship-building in dynamic, informal settings** (in contrast to consultation on specific council activities). This will also encourage a spirit of early consultation and input. Given diverse community preferences, these functions are likely to lend themselves more to a series of decentralised activities. This is likely to require a degree of experimentation and ongoing review. Members might benefit from additional training and support to execute this role.



# Recommendations

3. Wherever possible, additional member-resident engagement activities should build on **existing community-led structures and activities**. Where possible, **community-led activities should be proactively supported** to support this kind of engagement.

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As part of the review of the wider engagement portfolio, consider opportunities to increase / better signpost the **number and impact of opportunities for residents to meaningfully influence decision-making**, noting existing successful examples in Cambridge (e.g. Tenant Residents' Group).



5. In particular, consider the opportunity of the grants review to explore **participatory budgeting**, given the strong stated resident interest, tangibility of impact, clear link to the principle of resident-voice, and positive track record in other places.





# Key Questions to Consider Regarding Implementation

- What are the **priorities** for practical implementation?
- What **resources** are available to implement the different elements of these recommendations?
- What **additional training and support** might be required for councillors and/or officers to focus on these priorities? How can an innovative, decentralised approach be **best supported**?
- How can **existing activities and opportunities** be better signposted or amplified, both to councillors and residents?

# Illustrative Implementation Options: Core Activities

## Responsive: Issue / Community- Specific Engagement & Decision-making opportunities

Bespoke activities according to specific community need / challenge / opportunity e.g. Shaping Abbey Pilot, Tenants' Resident Group

## Anchor Activity: Annual Event – The Local Listen

- Informal & fluid drop-in event
- Ward / Area Committee boundaries depending on resource
- Focus: Build relationships; encourage questions; hear resident voice; promote engagement opportunities.

## Ongoing Satellite Meetings Via Community Organisations

- Format flexible according to needs of group
- Light-touch conversations focused on establishing regular agenda-free dialogue
- Flexes up / down according to Member capacity
- Officer support to set-up / coordinate meetings

## Optional: Cross-City Participatory Budgeting

- Can include ward level focuses set via Local Listens / Satellite Events

# Illustrative Implementation Options: Training and Support

## New Resource for Councillors: Resident Engagement Guide

- Outline of different activities
- Articulation of approaches (including light-touch skills building)
- Key methods and templates for activities
- Signposting of other resident engagement & support opportunities

## Training & Support

- Opportunity for councillor training in engagement & listening
- Engagement Innovation Group: Action Learning Set (or similar) for engaged councillors to trial and develop new approaches, for circulation to wider group

# More Details on Individual Options

Activity	Rationale	Councillor Role	Other considerations
Issue / Community-Specific opportunities (responsive)	Ensuring that council activities are well tailored to the diverse range of places, communities and issues in Cambridge; flexibility to respond	Engaging with affected / interested residents, tailored to issue / community in question	Councillors & officers would work together to identify which issues require additional in-depth engagement
Anchor Activity: Annual Event – The Local Listen	Offer a baseline, open-access, community-wide opportunity to engage informally with local councillors	Meet with / hear from residents without fixed agenda; signpost to relevant activities / opportunities (with officer support)	Events can be more or less ambitious according to resource available
Ongoing Satellite Meetings Via Community Organisations	By engaging in light-touch meetings which are both more proactive and informal than Area Committees, councillors can hear a wide range of voices	Meeting with key groups to build council's knowledge, insight and ability to respond	Officer resource would be key to supporting councillors effectively; capacity needs to be considered / planned
Cross-City Participatory Budgeting	Strong resident interest, clear / compelling link to high-impact decision-making	Encourage & build cross community support for applications	<i>Remit for this sits with Grants team; review of activities ongoing</i>
New Resource for Councillors: Resident Engagement Guide	Ensure all councillors have clear overview of activities and their role, with support for implementation	Resource would ideally be co-created together with a group of councillors	Resource would need to be regularly updated
Training & Support incl. cross-party innovation group	Ensure all councillors feel confident in listening / convening approaches; encourage those with particular interest to lead the development of new approaches	All to engage with training opportunities; most engaged to champion ongoing experimentation and development	Training in “community champion” role increasingly common; resource implications.